SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1881.

CHARLES T. ROOT,

vs.

THE LAKE SHORE AND MICHIGAN SOUTHERN RAILWAY CO.

ARGUMENT FOR THE APPELLANT.

BY

ALBERT H. WALKER.

HARTFORD:
PRESS OF CLARK & SMITH.
1881.

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CHARLES T. ROOT, APPELLANT,

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THE LAKE SHORE AND MICHIGAN SOUTHERN RAILWAY COMPANY, APPELLEE. } No. 176.

STATEMENT OF THE CASE.

THIS is a bill in equity, standing on demurrer. Thomas Sayles was the complainant below. He filed his bill December 9th, 1878, stating that the respondent and one of its constituent corporations, had infringed his rights under letters-patent of the United States, for an improvement in railroad car-brakes, granted to Henry Tanner, July 6th, 1852, and extended July 5, 1866, by using the brakes from January 1, 1865, up to and including July 6, 1873; and praying for an account of profits and for general relief.

The respondent appeared and demurred to the bill, both generally and specially, and as the questions involved were the same which Mr. Justice HARLAN had suggested, to the two counsel, in the previous October, might wisely be taken to the Supreme Court on appeal from a *pro forma* decree, that course was adopted, and such a decree was entered sustaining the demurrer, and dismissing the bill. Mr. Sayles promptly appealed to this court, and afterward died. His executor, Charles T. Root, has since been admitted appellant in his stead, in pursuance of the fifteenth rule.

QUESTIONS IN THE CASE.

First: Has equity jurisdiction to decree an account of infringers's profits, independently of an injunction.

Second: What is the true construction of the National statute of limitation, which is embodied in the last clause of Sec. 55, *of the Patent Act of July* 8, 1870.

Third: Are State statutes of limitation applicable, in the absence of any National limitation, to actions arising out of letters-patent for inventions.

Fourth: If the third question shall be answered in the affirmative, a fourth question will arise, namely: Does the National statute of limitation of July 8, 1870, supercede the operation of the State statutes, as to *all* rights of action, or only as to such as were not old enough to have been fully barred by the State limitation, at the time of the enactment of the National limitation.

ASSIGNMENT OF ERRORS.

The Court below erred:

1.—*In not taking jurisdiction of the bill.*

2.—*In deciding that the National statute of limitation barred that part of the right of action sued upon, which accrued during the first term of the patent.*

3.—*In deciding that the State statute of limitation applies to patent suits in the absence of a National limitation.*

4.—*In deciding that the operation of the State statute of limitation was only partly superceded by the "otherwise provision" contained in the National statute of limitation.*

ARGUMENT FOR APPELLANT.

THE JURISDICTION OF EQUITY.

THE first trace of a question analagous to this, having arisen in a court of equity, is found in the case of Story *vs.* Lord Windsor 2, Atk., 630, (1743). The report of Mr. Atkyns is rather eliptical, but enough appears, to indicate that the complainant filed a bill against the defendant, stating that the latter had derived profits from wrongfully taking coal out of the complainant's mine, and praying for an account of those profits. Lord Hardwicke held that: "Though the plaintiff's is a legal title, yet he is proper in coming into this court, because this is not a title of land, but of a colliery, which is a kind of trade, and therefore an account may be taken of the profits here."

Two years later the same chancellor refused to take jurisdiction of the bill in the case of Jesus College *vs.* Bloome, 3 Atk., 262, (1745). This bill seems to have differed from the other, in seeking an account of profits made from the wrongful taking of wood, instead of the wrongful taking of coal, and also in that the amount involved was of so small value, as to be beneath the dignity of the court. No injunction or discovery appears to have been prayed for or had in either case. It is impossible that any principle of equity jurisprudence can be involved in the difference between wood and coal, for both become personal property when severed from the land; but to dismiss a bill because the amount sought to be recovered is below the dignity of the court, comports perfectly with the precedents.

Eight years after he decided the Jesus College case, Lord Hardwicke adjudicated the far more instructive case of Garth *vs.* Cotton, reported in 1 Dickens, 183, (1753). Here the chancellor's opinion was very elaborately written out by himself, and was literally transcribed by the reporter. His lordship stated the nature of the suit in the following words: "The End of the bill is, that the defendant may account, and make satisfaction

to the plaintiff, for all such sums of money as he hath received by a fall of timber upon the estate in question, in the year 1714, with interest." (p. 183). He finds in point of fact: "That the stripping of the estate of the timber was a wrongful act." (p. 188.) He says that among the defenses relied upon by the defendant was one expressed in substantially the following words: "Suppose a bill might have been maintained to stay this waste, before it was committed, yet it will not follow from thence, that after that is over, a bill may now be brought for an account: the jurisdiction of the Court to decree an account of the value of the timber, is only incident, and concomitant to the jurisdiction of granting an injunction." (p. 210). To this contention, Lord Hardwicke, in his opinion, made the following formal answer. "It is true, that the general run of the cases, is of bills for an injunction, because that is a preventive suit, and the most remedial to the party; but that affords no conclusive argument that a bill for such an account cannot be maintained, without praying an injunction." (p. 211). The Jesus College case having been the only one relied upon to support the defendant's contention on this point; the chancellor explained that case as follows: "At the hearing of the cause, I doubted, amongst other things, whether such a bill in equity was maintainable, without praying an injunction to stay the waste, and it stood over to another day to produce precedents; none were produced, and the bill was dismissed without costs; but the point was not absolutely determined, nor was that the only ground of the dismission." Lord Hardwicke concluded his decision in the Garth case by giving a decree in accordance with the prayer of the bill—a decree for a money recovery and nothing else.

Thirty years passed after the case of Garth *vs.* Cotton, before the question again arose. In the case of Lee *vs.* Alston, 1, Brown, 193, (1783) it appeared that the defendant had cut, and converted to his own use, certain timber belonging to the complainant. The latter, therefore, filed a bill for an account of the the timber so cut down. There was nothing to distinguish the case in point of principle, from that in Jesus College *vs.*

Bloome, save that the amount in controversy was large, instead of being so small as to be beneath the dignity of the court. Mr. Selwyn contended for the defendant: "that the bill would not lie: that the Court had a jurisdiction with respect to an injunction, but that calling for an account alone, was not sufficient to transfer the jurisdiction from a court of law to this court." (p. 194.) Lord Thurlow's opinion, on this defense, was adverse, and again, on a further hearing, he said he "continued of the opinion he was of, that if a party cuts timber on an estate, on which he is not entitled so to do, it will draw an account: that he must suffer himself to be considered as the bailiff of the remainder-man." 3 Brown, 38.

At this point in the development of this part of equity jurisprudence, the United States became confessedly independent of England. The Federal constitution was soon after framed and adopted; and thereafter the English Chancery and the Federal Equity courts proceeded to cultivate the system on independent, though usually parallel lines. In this country the first step was taken by the enactment of the Judiciary Act of 1789. Subject to certain well-known limitations not necessary to be enumerated here, section 11 of that statute provided: "That the circuit courts shall have original cognizance of all suits of a civil nature at common law or in equity." The next step was the Act of May 8, 1792. Among other things enacted in section 2 of that statute, it was provided: "That the forms and modes of proceeding in suits of equity jurisdiction, shall be according to the principles, rules and usages which belong to courts of equity, as contradistinguished from courts of common law; except so far as may have been provided for by the act to establish the judicial courts of the United States, subject however to such alterations and additions as said courts shall in their discretion deem expedient." These enactments were construed by the Supreme Court in the case of Robinson *vs.* Campbell, 3 Wheaton, 222, (1818); and were there held to provide that the remedies in equity in the courts of the United States are to be "according to the principles of equity as distinguished and defined in that country from which

we derive our knowledge of those principles." The proviso: "subject however to such alterations and additions as said courts shall in their discretion deem expedient," was not involved in the case, and therefore was not mentioned by the court. Several subsequent Federal decisions of the same import, followed that in Robinson *vs.* Campbell, and finally Justice NELSON in Allen *vs.* Blunt, 1 Blatch, 486, (1849); when speaking of the eleventh section of the Judiciary Act, said that the equity jurisdiction therein confined "is the same, in its nature and extent, as the equity jurisdiction in England, from which it was derived." It follows from the foregoing that the English equity jurisdiction, *as it existed in* 1789 *and* 1792, is by the Federal statutes of those years, made the criterion of Federal equity jurisdiction in this country, subject to such alterations as the Federal courts should thereafter in their discretion deem expedient; but it does not follow that subsequent English changes in equity jurisdiction, have any binding force in the United States. Oliver Ellsworth, the great lawyer who drafted, and the Congress of statesmen which enacted the Judiciary Act, never intended thereby to bind the Federal courts to follow the English chancellors, wherever the latter might decide to go. Undoubtedly, English decisions, rendered since 1792, are often cited in the Federal courts. This is not, however, because they are binding precedents in those courts, but because they often embody research sufficiently extensive, and arguments sufficiently just, to make them suggestive and helpful to the Federal judges. If therefore the modern English decisions, on questions like the one at bar, were in harmony with American decisions on the same, and on analagous points, they might properly enough be cited as affording collateral support to the American cases. It is a fact, however, that beginning with a neutral *obiter dictum*, by Lord Eldon, in the case of the Universities *vs.* Richardson, 6 Vesey, Jr., 689, (1802), and ending in Betts *vs.* Gallais, 10 Eq. Cases, Law Reports, 392, (1870), the English Chancery judges have, step by step, reversed the doctrine which we have seen was established by Lord Hardwicke and Lord Thurlow. During the

same period, on the other hand, the American courts have, as I am about to show, developed and applied that doctrine in such a way as arrive at precisely opposite results, from those lately reached in England. The discovery of this discrepancy will not however cause the American courts to retrace their steps and undo their work. The ancient rule as it has been adapted by American courts to American cases, must still govern Americans.

The English equity jurisdiction most nearly analagous to that invoked over the case at bar, as that jurisdiction existed in 1789 and 1792, has already been fully set forth. We have seen that, in brief, it was as follows: Independently of any injunction or prayer for injunction, a bill in equity will lie for an account of the profits derived from his wrong doing, against any party who cuts timber on an estate on which he is not entitled so to do; on the ground that the wrong-doer is the bailiff [trustee] of the party who owned the land.

Before examining the American patent cases which are relevant to the matter under present discussion, we may derive some preliminary light from decisions which have been made here, in other branches of jurisprudence. Perry on Trusts, published by Little, Brown & Co., in 1871, is doubtless the text book, which, most fully and accurately, states the law now prevailing in the United States, in that part of our equity system. In Section 245 of that work, the following statements are made: "A person may be become trustee by construction, by intermeddling with, and assuming the management of, property without authority. Such persons are trustees *de son tort*. During the possession and management by such constructive trustees they are subject to the same rules and remedies as other trustees; and they cannot avoid their liability by showing that they were not in fact trustees." To show his authority for making these statements, Mr. Perry cites a number of cases, all of which come within the general doctrine, but which differ among themselves in minor particulars. The one which is most perfectly analagous in all respects to the case at bar, is that of The People *vs.* Houghtailing, 7 Cal., 348, (1857), decided by the Supreme Court of California in the same year the present Justice FIELD became one of its judges.

In the case just mentioned it appears that W. W. Wright had been sheriff, and *ex-officio* tax collector of Nevada County, California; and that there was in his hands at the time of his death, certain money belonging to the people, which he had collected as taxes, under the revenue law of the State; and that his personal administrator, Mr. Houghtailing, had taken possession of that money, and had refused to give it up to the treasurer of the county, who was, under the law, entitled to its custody. Under these circumstances the people filed a bill in equity against Mr. Houghtailing, stating the above facts, and praying that he be decreed to pay said money into the hands of the county treasurer. The defendant interposed a demurrer, assigning as causes, that he was improperly sued as administrator; and that equity had no jurisdiction. The first point was overruled by the Supreme Court of the State, on the ground that the pleadings showed that Mr. Houghtailing was not sued in his representative, but in his private capacity; and the second point was overruled, because, as the Court remarked, although the complainant had a remedy at law, "The defendant, having obtained possession of property belonging to another, may be treated as a trustee, and a Court of Equity be invoked to coerce the execution of the trust." The Court said that the defendant's appointment as administrator of Wright, conferred upon him no authority to take or retain the public money. He therefore had no more right to do so than any stranger. He was not in privity with the owners of the money. In taking and keeping it, he was a mere intruder. The Court denominated him a trustee *de son tort*, and decided that, as such, equity had jurisdiction to compel him to hand over the property he had wrongfully seized.

Justice FIELD, after he came to the Federal bench, twice announced it to be "established doctrine" that "whenever property is acquired under such circumstances as to render it inequitable for the holder of the legal title to retain it, a court of equity will convert him into a trustee of the party actually entitled to its beneficial enjoyment." Hardy *vs.* Harbin, 4 Sawyer, 540, (1865). Norton *vs.* Meader, 4 Sawyer, 614,

(1866). It is true that the property involved in both these cases was real property; but for that very reason the fact that Justice FIELD stated the rule as applicable to property in general, is perhaps the more significant. It is true that the property recovered in those cases could not have been recovered at law; but it is also true that the profits sought to be recovered by the bill at bar, cannot be recovered at law. That this last statement is correct will be fully shown in its proper place, in a subsequent part of this brief.

We are now examining the American cases, which are not patent cases. From among them all, the eminent counsel opposed to me, though he has four times on the circuit elaborately argued this question, has never produced but one, which was decided on principles inconsistent with the law as stated by Perry, and as both stated and enforced by the Supreme Court of California in the Houghtailing case.

The decision just referred to, was that of vice-chancellor McCoun in the case of Monk *vs.* Harper, 3 Edwards, Chancery Reports, 109, (1837). In that case Maria Monk, by her next friend, filed a bill in the New York Chancery Court, against the Harpers, stating that she was a minor, born and educated in Canada, and that she was the authoress of a book illustrating the character and conduct of priests and nuns at Montreal; and that, at a time when she was without friends in the United States, one George Bourne had, and as the complainant "believed," for her benefit, taken out an American copyright on her book, and that thereafter the defendants had published the book and made large profits therefrom; and praying for a discovery and an account, but not for an injunction. The defendants demurred, and assigned numerous causes of demurrer. The bill was evidently bad, for several reasons. It should have been filed in the Federal and not in a State court. It did not show that the authoress was a citizen of the United States, at the date of the alleged copyright; and in saying that, at that time, she had no friends in the United States, it negatived any reasonable supposition that she was even a resident of this country. No copyright for her book could therefore have been

lawfully granted to her, or to anybody else as her representative. Even had she been a native of the United States, being, as she says, without a legal guardian, she could not have assigned to Bourne the legal title to her narrative, and thus have enabled him to take out a copyright for her benefit. Bourne was not even made a party to the bill, nor was any reason given for the omission. None of these defects seem, however, to have made any impression upon the mind of Vice-Chancellor McCoun. He passed them all by without remark, and dismissed the bill on the ground that there was no "privity of contract or dealing between the parties;" but simply a case of "fraud and wrong" perpetrated by the defendants against the complainant. It seems, therefore, that, according to Judge McCoun, a court of equity has jurisdiction in cases of breach of contract relevant to personal property; but has no jurisdiction in cases where men fraudulently and wrongfully convert the property of infants to their own use. His Honor, however, cited no authorities, to support these doctrines, nor in any way to support his decision to dismiss the bill. Being at that time without precedent, so also his views have continued ever since to be without endorsement.

In the case of The People *vs.* Houghtailing, the trespasser was held to be a *constructive* trustee as to the money he had seized, and which, it appears, he had not yet invested or paid out. If, before the filing of the bill, he had invested that money, in other personal or real property, and if the complainant had sought to subject the property so purchased, to a *resulting* trust, quite another question would have arisen from that which did arise in the case. A similar question would have arisen on the bill at bar, if it had stated that the defendant took the money we seek to recover, and invested it, for example, in stocks; and had prayed that those stocks might be subjected to a resulting trust, and transferred to the complainant. Such, however, was not the theory or the aim of the bill in the Houghtaling case; nor is it the theory or aim of the bill now before the court. We need not, therefore, to review the conflicting decisions, which have been made, on bills which sought to sub-

ject to a *resulting* trust, property purchased with money tortously taken from its owner. Whatever the rule may be on that subject, we have certainly shown, that in England prior to the adoption of our Federal Constitution, and in America since that event, equity has subjected to a *constructive* trust, the property and profits which have come into the hands of defendants by means of their own wrong. Nor was this jurisdiction ever made dependent on the character of the property converted, as being real property, or property already the subject of a trust. In the Story case, the Garth case, and the Lee case in England, and in the Houghtailing case in America, the property converted was coal, wood and money respectively; and there is no suggestion in either, of a prior trust having anything to do with the jurisdiction, or even having any existence. In the Houghtailing case indeed, the money had formerly been held by Mr. Wright as bailee; but that fact could not furnish a ground for jurisdiction in equity against a man who, as to that money, was not in privity with Wright, even if it could under any circumstances. Neither was the jurisdiction ever made dependent on privity between the parties. There was no privity of any kind either in the Story case or the Houghtaling case, and no privity of contract in either the Garth case or the case of Lee *vs.* Alston. In neither of the four cases is there any intimation that any real or supposed privity had any bearing on the jurisdiction. Nor had infancy or lunacy anything to do with the matter. None of the complainants were or could be classed in either category. In short there was no ground for the jurisdiction except the ground assigned by the court—by Lord Thurlow in England, and by the Supreme Court of California, in America —the ground of a constructive trust.

Reasonable as was the basis of equity jurisdiction in the class of cases just reviewed, it is much more so in the case at bar. In the three English cases the action of trover was at the command of the complainants, The complainant in the Houghtailing case might have sued either in trover or detinue; or if California had at that time, substituted code for common law actions, the relief formerly obtainable in either trover or

detinue, might have been had in a single suit. On the other hand neither the statute, (see R. S. 4919,) nor the common law, (see Buller's Nisi Prius, 75,) gives any action at law for the infringement of a patent, save trespass on the case. That action can of course, accomplish nothing except to give a plaintiff damages for what he has lost. The bill at bar does not seek to recover damages for what the complainant lost. It, therefore, does not seek to do anything which is within the power of an action at law to accomplish. It seeks instead, to recover the profits which the defendant gained from its unauthorized use of the complainant's property. If the complainant were entitled to bring an action of *indebitatus assumpsit*, and by that means recover those profits, there would be no necessity for the interposition of a court of equity, and section 723 of the Revised Statutes might perhaps be invoked to support a demurrer to the bill at bar. In the existing absence, however, of any means by which to recover those profits at law, we must recover them in equity, or they must go unrecovered. The question at bar is not, therefore, a question between equity and law. It is a question between justice and injustice. Are infringers pemitted to enjoy with impunity, the fruits of their wrong doing; or will a court of equity subject those fruits to a constructive trust, and thus compel their transfer to the owner of that property, from the unlawful use of which they sprang. That is the precise question now before the court; and that is the question upon which it is now in order to cite and examine the Federal authorities.

1. *Allen* vs. *Blunt*, 1 *Blatchford*, 480, (1849). The first decree for a money recovery, on account of the infringement of a patent, ever made and reported in equity in the United States, was rendered on a bill filed in the district of Massachusetts, in June, 1846, by Allen against Blunt and Syms. Both the defendants were citizens and residents of New York. Syms was not served with any subpœna. Blunt was so served, and a decree *pro confesso* was entered against him, and a reference had to a master to take an account of profits. *No injunction appears to have been granted.* The master reported that the profits

amounted to $11,700, and the Court entered a final decree against Blunt for that sum, plus $397.84 for the taxed costs. On that decree an action of debt was brought by Allen against Blunt in the Southern District of New York, and was tried before Justice NELSON in November, 1848. The defendant objected to a recovery on the ground that the Circuit Court in Massachusetts had no jurisdiction in equity, to "assess damages."

Justice NELSON in deciding against the defendant, said: "The following cases will show that it is the settled practice of the English Chancery, on injunction bills filed by the patentee, when there is no dispute about the title, to refer the case to a Master to take an account of the *profits* which the defendant has made by the use of the plaintiff's invention, instead of sending it to a court of law to assess the *damages*. The defendant is regarded as having been in the use and enjoyment of property, that belonged exclusively to the patentee, and as being bound in equity to account for the profits." The use here of the phrase "injunction bills" instead of the word "bills," even if it were unaffected by the context, would not necessarily negative the hypothesis that profits are also recoverable on bills *not* injunction bills. The moment we read the context, however, we find that Justice NELSON gives as the reason for the jurisdiction, the fact that "The defendant is regarded as having been in the use and enjoyment of property that belonged exclusively to the patentee, and as being bound in equity to account for the profits." He does not say or intimate that the jurisdiction is dependent on the injunction. To further ascertain that he had no such idea in his mind, we have only to examine the leading English and the leading American case cited by him in support of the statement just quoted.

The first English case is Crossley *vs.* The Derby Gas Light Co., 3 Myln & Craig, 428, (1838). Turning to that case we find not the least allusion to an injunction, nor do we find any evidence that the bill in that case was an "injunction bill." On the other hand we do find that it was a bill brought by the owner of a patent for certain gas-meters, against The Derby

Gas Light Co., stating that the defendant had made, used and sold gas-meters which infringed the patent; and praying that the defendant might account for the profits it had derived from so doing. The case was singularly like that at bar. The patentee could not use the gas-meters himself, any easier than the complainant in the bill at bar could use the brakes. Nevertheless we are told in the report, that: "By the decree, an account was directed of what profit had been received, and what benefit derived from the use of such gas-meters as were made and manufactured during the existence of the letters-patent, from six years previous to the filing of the bill and down to the date of the decree, and it was ordered that the defendant should pay to the plaintiff what should be found due upon taking such an account." This decree certainly neither professed to be, nor could it have been based on any theory of "damages," whether assessed as "incidental to an injunction" or otherwise. No legal or equitable theory could have supported it a moment, save the doctrine of a constructive trust; but that doctrine is precisely adapted so to do. Accordingly Justice NELSON cited the case immediately after saying, that: "The defendant is regarded as having been in the use and enjoyment of property that belonged exclusively to the patentee, and as being bound in equity to account for the profits."

The first American case cited by Justice NELSON to support this proposition, is Pierpont *vs.* Fowle, 2 Woodbury & Minot, 23, (1846). In that case the bill stated that Pierpont was the owner of the extended terms of two certain copyrights, and that the defendant, claiming to be the true owner, had licensed one Bowen to print and sell the books covered by those copyrights, within those extended terms, and had received money and other property from Bowen for those licenses. The bill prayed that Fowle be enjoined from publishing and selling copies of either of the books during the extended terms respectively. The bill did not, however, state that Fowle ever had done anything of that kind, and as no other kind of injunction was prayed for in the bill, it would seem that no injunction could be granted upon it. The bill, however, also prayed that

Fowle be made to account to Pierpont for all the money and other property he had received from Bowen for the licenses he had given the latter. The questions of law involved in the case were argued before Justice WOODBURY on exceptions to to the defendant's answer. He held that the title to the extended terms was in the plaintiff, and that as to those terms, there was no mutuality [privity] between the parties. (p. 43). That being the case he held that: "The respondent has got money which *ex æquo et bono* belongs to the plaintiff, and he is a sort of a trustee to account for it." (p. 47). He did not say *what* "sort" of a trustee the defendant was, but having said that there was no mutuality between the parties, it is clear he did not mean an express trustee. He must, therefore, have intended one of the two kinds of implied trustees. It was clearly not a case of *resulting* trust, because Fowle had not invested the fund he had received from meddling with the copyrights. The sort of trustee in the mind of the Court must, therefore, have been the sort called a constructive trustee in the books. The opinion of Justice WOODBURY, in Pierpont *vs.* Fowle, that "The respondent has got money, which *ex æquo et bono* belongs to the plaintiff, and he is a sort of trustee to account for it," precisely sustains, therefore, the statement of Justice NELSON in Allen *vs.* Blunt, that: "The defendant is regarded as having been in the use and enjoyment of property that belonged exclusively to the patentee, and as being bound in equity to account for the profits."

2. *Livingston* vs. *Woodworth* 15 *Howard* 546, (1853). Next in time after Allen *vs.* Blunt, the American decision having relevancy to the question at bar, was that made by Justice WOODBURY, in 1849, in the case of Woodworth *vs.* Livingston. No regular reports of Justice WOODBURY'S decisions for that year was ever published, but the case was appealed to the Supreme Court, and from the report thereof in that tribunal the essential points in the decision below can be learned. From the fifth paragraph of the opinion (p. 555) it appears that in pursuance of the first interlocutory decree in the case, the master

reported the infringers actual profits to amount to $1,981.35. The complainants insisted, however, that they were entitled to recover double that sum, because the defendants could, with prudence, have made twice the profit they did. Justice WOODBURY acceded to that view, and by a further order, directed the master to ascertain the amount of profits the defendants might, with prudence, have realized. It is expressly stated by Geo. T. Curtis, author of Curtis on Patents, and a perfectly reliable reporter, in his brief in the Supreme Court, that the court did not give this direction to the master with a view of finding the patentee's *damages*, but with a view of holding the defendants accountable as involuntary *trustees*, for what might have been realized from the use of the machines; or, in other words, trustees for the invention. See line 18, and line 28, of page 550 of 15 Howard.

In pursuance of this last order, the master reported the profits that might have been made to amount to $3,962.96, the court entered a final decree for that sum, and the defendants appealed to the Supreme Court. That tribunal held that the first report of the master was correct, and the second wrong, because it might be regarded a decree for the damages the complainants had suffered, which the court said were recoverable only at law. The court held that what the complainants were entitled to in equity, was what was *ex æquo et bono* theirs, and accordingly sent the case back to the court below, with directions to enter a decree for the actual gains and profits of the defendants. It is clear, therefore, that both the court below and the Supreme Court, though applying it differently, acted upon the doctrine of trusteeship, and not upon any idea that the defendants' profits were given as the measure of the patentee's damages.

3. *Nevins vs. Johnson*, 3 *Blatchford*, 80, (1853). In this case a bill was filed for an account of profits derived by the defendant from infringing a patent which had expired nearly two years before the filing of the bill. The report states, that: "The defendants demurred to the bill for want of equity, and assigned, as grounds of demurrer, that there was a complete and adequate remedy at law in the case, and that a court of equity

had no jurisdiction of it, because the term of the patent had expired before the suit was commenced, and no injunction was prayed for or could be granted." To support that position the court was referred to the case of Bailey *vs.* Taylor, decided in England in 1829, and to two other English cases. Judge BETTS who heard the case with Justice NELSON, delivered the opinion of the court overruling the demurrer. He said: "We refrain from discussing the extent of Equity jurisdiction, in the English courts, in copyright and patent cases, although our impression, on looking at the cases cited, is, that they do not import the absolute doctrine ascribed to them. But, whatever may be the rule in England in this respect, we think the act of Congress, (5 U. S. Stat. at Large, 124, Sec. 17), confers jurisdiction in Equity upon this court, irrespective of the right of the patentee to an injunction, or of his demand for one."

4. *Sickles* vs. *The Gloucester Manufacturing Co.*, 1 *Fisher*, 222, (1856). The bill in this case was filed shortly before the expiration of the patent upon which it was based. The cause did not, however, come on for hearing till several months after that expiration, and the respondents therefore insisted that the bill ought to be dismissed upon the ground that the patent having expired, no injunction could be decreed, and the bill could not be sustained unaccompanied by an injunction. This proposition was argued by William H. Seward and Samuel Blatchford for the respondents, and they doubtless argued it as ably as anybody could have done. Justice GRIER who heard the case, nevertheless overruled the defense. Speaking of actions at law he said: "Whenever the subject matter can not be as well investigated in those actions, a Court of Equity exercises a a sound discretion in decreeing an account." And further: "As it appears in this case that, it might become necessary to have a discovery and account of profits from saving of fuel, I see no good reason why the court might not retain jurisdiction for that purpose even on the principle of the English cases."

5. *Imlay* vs. *The Norwich and Worcester Railroad Company*, 4 *Blatchford*, 228, (1858). The circumstances of this case were precisely like those of the one just reviewed; and

Ex-Gov. Baldwin, of Connecticut made precisely the same defence, which Ex-Governor Seward had made in that. In overruling that defense, Judge INGERSOLL followed Justice GRIER'S decision, without elaborating any argument of his own.

6. *Goodyear* vs. *The Rubber Co.*, 2 *Fisher*, 499 (1864). The bill in this case was filed to recover the profits derived by the defendant from its infringement of the Goodyear patents, both of which expired June 15th, 1865. Justice CLIFFORD entered an interlocutory decree in November, 1864, *but granted no injunction*, probably because the patents would expire so soon. Whatever the reason may have been, it is certain no injunction was granted, because it appears from the report of the case in the Supreme Court, 9 Wallace, 800, that the master included in his account of profits, those which accrued *after* the interlocutory decree. No profits could have accrued after the interlocutory decree if it had been a restraining one. A final decree was rendered November 28th, 1866, finding that the infringers' profits amounted to $310,757.72, and decreeing that the complainant should recover that amount and costs, (see Rubber Co. *vs.* Goodyear, 6 Wallace, 153). Neither that decree nor the similar decree entered seven days later, contained a word about an "injunction," or about "damages." Although trusteeship was not mentioned by the court, it was acted upon to the extent of more than a quarter of a million of dollars, and that, too, by Justice CLIFFORD himself, who in Birdsall *vs.* Coolidge so clearly avowed it. When the case was affirmed by the Supreme Court, the doctrine of trusteeship was evidently in the mind of Justice SWAYNE, who delivered the opinion, for he said: "The rule [of awarding the patentee the infringer's profits,] is founded in reason and justice. It makes the wrong-doer liable for actual gains. *The controlling consideration is that he shall not profit by his wrong.* A more favorable rule would offer a premium to dishonesty, and invite to agression." 9 Wallace, 804.

7. *Perry* vs. *Corning*, 6 *Blatchford*, 134, (1868). In this case the bill did not even pray any injunction, and the complainant's counsel admitted that no discovery was needed. The

defendant demurred for want of equity, but Judge HALL overruled the demurrer, on the authority of several of the foregoing cases. The court also said "It may often happen that the profits of the infringing defendant are much greater than any damages the plaintiff could prove he had sustained; and in such cases, it could hardly be said that the plaintiff had a full and adequate remedy at law."

8. *Howes* vs. *Nute*, 4 *Clifford*, 174, (1870). This equity case came on for hearing before Justice CLIFFORD and Judge LOWELL more than two years after the patent expired, and when therefore no injunction could be granted. The arguments of the respondent's counsel are not given in the report, but they seem to have included a repetition of those unsuccessfully made in the cases which in this review are numbered 3, 4, 5 and 7, respectively. Justice CLIFFORD, however, again overruled the familiar, not to say thread-bare contention, by saying that, "Suits in equity to recover gains and profits, or actions at law to recover damages for the infringement of letters-patent, may be maintained, in a proper case, even after the patent has expired, if the alleged infringment took place during the term for which the patent was granted, and the suit was commenced before the claim was barred by the statute of limitations."

9. *Cowing* vs. *Rumsey*, 8 *Blatchford*, 36, (1870). The eight cases thus far cited, were all cases that involved in one form or another the very question at bar. In five of them the jurisdiction was challenged for want of an injunction and it was sustained in spite of the lack of all right to that writ. In the other three cases, final decrees were made which can not be justified a moment on any other ground than that of a constructive trust. In one of the three, that ground was expressly avowed by the court: in another it was as explicitly declared as it could well be, without using the word itself: in the third no injunction was granted, but nevertheless a decree for more than three hundred thousand dollars was entered, and afterwards affirmed by the Supreme Court. Judge WOODRUFF therefore, when called upon, in the case just cited, to explain on what principles money is recoverable for the infringement of a patent, no doubt thought

he was stating elementary and undeniable doctrine when he said: "A patentee whose rights are infringed has his election of remedies. He may treat the infringer, who illegally appropriates the invention to his own use, making profit thereby, as his trustee in respect of such profits, and compel him to account therefor in equity. In such case the plaintiff may recover those profits be they more or less; and he can recover no more, however great the damages may be which the illegal interference has occasioned. If, on an accounting, it should appear that the defendant used the invention so unskillfully that he realized no profit, there could be no recovery. On the other hand the patentee may sue at law for the damages which he has sustained; and those damages he is entitled to recover whether the defendant made any profits or not."

10. *Tucker* vs. *Spaulding*, 13 *Wallace*, 453, (1871.) In this law case Justice MILLER delivered the opinion of the Supreme Court. The court still numbered among its members Justice NELSON, who had decided the case of Allen *vs.* Blunt, and Justice CLIFFORD, who had decided that of Howes vs. Nute. Justice MILLER himself had long been familiar with patent litigation. Under these circumstances he wrote, and the entire Supreme Court approved, the following statement of law:

"Whatever may be our personal opinions of the fitness of a jury as a tribunal to determine the diversity or identity in principle of two mechanical instruments, it cannot be questioned that when the plaintiff, *in the exercise of the option which the law gives him*, brings his suit in the law in preference to the equity side of the court, that question must be submitted to the jury, if there is so much resemblance as raises the question at all." This is an unlimited statement, that a patentee may sue an infringer in equity if he elects so to do; and an undeniable intimation that the Supreme Court prefers the equitable over the legal proceeding.

11. *Packet Co.* vs. *Sickles*, 19 *Wallace* 611, (1873). This also, was an action at law, and in it Justice MILLER also delivered the opinion of the Supreme Court. After explaining the rule and measure of damages, in actions at law for the infringement

of patents, the court said; "The rule in suits in equity, of ascertaining by a reference to a master the profits which the defendant has made by the use of the plaintiff's invention, stands on a different principle. It is that of converting the infringer into a trustee for the patentee as regards the profits thus made; and the adjustment of these profits is subject to all the equitable considerations which are necessary to do complete justice between the parties, many of which would be inappropriate in a trial by jury. With these corrective powers in the hands of the chancellor, the rule of assuming profits as the ground-work for estimating the compensation due from the infringer to the patentee has produced results calculated to suggest distrust of its universal application even in courts of equity." The "results" referred to by the court, were doubtless pecuniary results, and it must have been their magnitude that caused the court to remark that they were calculated to suggest distrust of the universal application of the rule of profits even in courts of equity. Now it is safe to say that no decrees for exorbitant sums have ever been submitted to by defendants, without an appeal to the Supreme Court. Therefore, whatever "results" of the kind mentioned, have been reached anywhere, must have been reached in that tribunal. It is the fact, however, that the aggregate of all the decrees for infringer's profits, affirmed by the Supreme Court from its foundation, down to the time Justice MILLER used the language quoted, was but very little over $400,000. Only one of those decrees exceeded $25,000, and one was for only $1,500. The only decree that could possibly "suggest distrust" of its propriety, on account of its magnitude, was that in the case of The Rubber Co. *vs.* Goodyear; and which was affirmed in 1869, for the enormous sum of $310,757. Now if we were to find that the rule of infringer's profits inevitably led to that result, we would naturally expect that the "distrust" of that rule, suggested by Justice MILLER in 1873, would have ripened by this time into doubt and perhaps into denial. On turning to the case, however, we find that the decree was not the inevitable result of the rule of profits, but was rather the result of the inadequate way in which the defendant's case was managed.

Its best defence failed simply because it was not set up in the answer, though supported by the evidence. This defence went to the utility of the invention, and had it been properly managed, would doubtless have reduced the decree to a small sum, and perhaps, even, have swept it entirely away. Furthermore, the decree covered profits on elements not patented, which entered into the composition of the patented articles. The defendants brought this *prima facie* injustice upon their own heads, by so keeping their books that the profits due to the patented, and those due to the unpatented elements, could not be separated. They were therefore rightly held liable for the whole, on the same principles as are those who wrongfully mingle their neighbor's goods with their own. Had the defendant corporation been more careful in its book-keeping, and the defendant's counsel been more careful in their pleadings, it is probable that the final decree in the case would have been small; and therefore Justice MILLER would not have known of any "results calculated to suggest distrust" of the universal application of the rule of profits in courts of equity. It would seem that on reconsideration, the matters I have pointed out, were noticed by the court; for during the eight years that have passed since the remark was made in the Sickles case, no further trace of distrust of the rule of profits has ever found its way into a Supreme Court opinion. On the contrary, as will soon appear, that rule has during that time been repeatedly enforced by that court, and been repeatedly stated by it to be based on the doctrine of trusteeship.

12. *Smith* vs. *Baker's Administrators*, 5 *Official Gazette of the Patent Office*, 496, (1874). The original bill in this case prayed for an injunction and an account of profits; but before any decree was rendered, the defendant died, and a bill of revivor was filed against his administrators, praying for an account of profits, but not for an injunction. The new defendants demurred; claiming that: "as there can be no decree for an injunction, the respondents cannot be compelled to account, because the equity for the account, is strictly incident to the injunction." Judge MCKENNAN overruled the demurrer, saying: "An in-

fringer of the rights of a patentee is accountable in equity for the profits accruing to him by the appropriation to his own use of the patentee's invention. These profits are property acquired by the infringer which rightfully belongs to the patentee. He may, therefore, instead of resorting to an action at law to recover damages commensurate with the loss caused by the unlawful act of the infringer, elect to treat him as a trustee of the profits realized by him, and enforce his accountability for them in that character in a court of equity."

13. *Littlefield* vs. *Perry*, 21 *Wallace*, 229, (1874). This was a bill for an injunction and an account of profits, but there is no indication in the report that an injunction was ever granted. The statement is, that: "The court having heard the case, directed an account of all the profits, gains and advantages which the said defendants, or either of them, have received, or which have arisen or accrued to them, or either of them, from the manufacture, use or sale of stoves within the States of New York and Connecticut, embracing the improvements described in and covered by the said letters-patent, and the reissues thereof, or any of them." The master, in pursuance of that decree, found the profits amounted to $52,747, and the court below entered a final decree accordingly. From this decree the defendants appealed, and it was reversed by the Supreme Court on the ground that the defendant was not liable for all the profits derived from the *stoves* which embraced the patented inventions, but only for that part thereof, which arose from the patented inventions themselves. Chief Justice WAITE in delivering the opinion of the court, said: "The true inquiry is as to the profits which the defendants have realized as the consequence of the improper use of these improvements. *Such profits belong to the plaintiff, and should be accounted for to him.*"

Now there are but two conceivable theories upon which this last statement of the court can possibly be thought to stand: first, the idea that the infringer shall be converted into a trustee as to those profits, for the owner of the patent which he infringes: second, the idea that the defendant's profits are the criterion of

the plaintiff's loss—the measures of his damages. No suggestion of any third theory is to be met with in the books, nor has any counsel, known to the writer, ever been ingenious enough to think of any other.

Anciently, this second doctrine received some countenance in some of the Circuit Courts, in actions at law; where of course the subject of inquiry was the plaintiff's damages. The first hint of the kind is found in the case of Whittemore *vs.* Cutter, 1 Gallison, 483, (1813). There the court instructed the jury, that: "The rule of damages should be the value of the use of such a machine during the time of the illegal user." Nothing was said in the case about the defendant's profits, and it is obvious that they might have been much less than the value of the use of the machine. They were not, therefore, awarded as the measure of the plaintiff's damages. In Lowell *vs.* Lewis, 1 Mason, 184, (1817), Justice STORY charged the jury, that: "The rule for damages, is, in this case, to allow the plaintiff treble the amount of the profits actually received by the defendant, in consequence of his using the plaintiffs invention. And let the damages be estimated as high as they can be, if the plaintiff's patent has been violated; that wrong doers may not reap the fruits of the labor and genius of other men." In Wilbur *vs.* Beecher, 2 Blatch., 143, (1850,) the court charged the jury, that: "The rule of damages is, that the plaintiff is entitled to all the actual profits which the defendant has made by the use of the principle of the plaintiff's combination. In other words, the plaintiff is entitled to all the damages which he has sustained by reason of the use which the defendant has made of the plaintiff's property. This is, in effect the same thing, because the law presumes that if the defendant had not put his machines into the market, the demand would have been for the plaintiff's, and that he would have received the profits on the machines which have been made and sold by the defendant." Substantially the same instruction was given by the same judge in the case of Hall *vs.* Wiles, 2 Blatch., 201, (1851,) and again McCormick *vs.* Seymour, 2 Blatch., 256, (1851). This last case was, however, taken to the Supreme Court, and the judg-

ment was reversed by that tribunal, on account of that very error; the court holding that, no such presumption exists as that upon which the charge was avowedly based; and that: "It is only where, from the pecular circumstances of the case, no other rule can be found, that the defendant's profits become the criterion of the plaintiff's loss." Seymour *vs.* McCormick, 16 Howard, 490, (1853).

Three or four of the district judges seemed to have been rather slow in learning of this decision, for in a few cases, contrary instructions to juries were afterward given. The last error of the kind was made by the Supreme Court of the District of Columbia, in the case of Sickles *vs.* Packet Co. In that case the defendant gave evidence of license fees ranging from $250 to $1,500, and asked the court to charge "That the measure of damages was the established rate for the license to use the invention, as ascertained by the sales made by the plaintiff of such license to others." The court refused thus to charge, and instead of doing so, charged that: "In estimating the amount which the plaintiff is entitled to recover, the jury will take into consideration the value of the use of the machine, &c." To the refusal, and to the charge, exceptions were taken; and the jury found a verdict for $11,333. The case was taken to the Supreme Court of the United States and there reversed for this very error—the identical error for which the case of Seymour *vs.* McCormick had been reversed twenty years before. The Supreme Court said that the rule declared in Seymour *vs.* McCormick had remained the established criterion of damages in such cases ever since, and that the instruction prayed and refused in the Sickles case, is "the sound rule," and that the court erred in refusing to give it, and in giving the instruction it did give. (See Packet Co. *vs.* Sickles, 19 Wall, 617, (1873). It follows from these two decisions that the infringers' profits do not belong to the plaintiff on any idea that they are the measure of his damages. When, therefore, Chief Justice WAITE said: "Such profits belong to the plaintiff, and should be accounted for to him," he stated a proposition which finds its only possible foundation on the doctrine of constructive trusts.

The soundness of this conclusion is not disturbed by the well-known rule, that, *in the absence of a license fee;* the infringer's profits may be taken into consideration by a court of law, to aid in ascertaining the utility of the invention, to the end of determining what a proper license fee would have been. The difference between that rule, and the rule of giving the complainant the infringer's profits in equity, is illustrated by comparing the law case of Turrill *vs.* The Ill. Cent. R. R. Co., 3 Fisher, 330, (1867,) with the equity case between the same parties, on the same patent, reported in 94 U. S., 695, (1876). In the equity case the entire inquiry was as to the amount of that infringer's actual profits, and they were found to be $91,980. In the law case, there was no proof of any license fee, and therefore evidence was submitted to the court, touching the utility of the thing patented, as the only means of determining what would have been a proper license fee. The court said not a word about infringer's profits, though doubtless, proof of their amount constituted a part of what the court characterized as conflicting evidence, as to the utility of the machine. Taking all this conflicting evidence of utility into consideration, the court said: "On the whole we have fixed the actual damages sustained by the plaintiffs, for the infringement of their machine by the defendant, during the time above mentioned, at the sum of twelve hundred and ninety-two dollars." Further cogent and conclusive explanations of the difference between the rule of "utility" at law, and the rule of "profits" in equity, were made by Judge WOODRUFF in the case of Cowing *vs.* Rumsey, 8 Blatch., 492, (1870,) and by the Supreme Court in the case next to be reviewed on the main question.

14. *Burdell* v. *Denig*, 92 *U. S.*, 720, (1875). In this case Justice MILLER delivered the opinion of the court, in the following terms: "In cases where profits are the proper measure, it is the profits which the *infringer* makes, or ought to make, which govern: not the profits which the *plaintiff* can show *he* might have made. Profits are not the primary or true criterion of damages for infringement, in an action at law.

That rule applies eminently and mainly to cases in equity, and is based upon the idea that the infringer shall be converted into a trustee, as to those profits, for the owner of the patent which he infringes."

15. *Birdsall* vs. *Coolidge*, 93 *U. S.*, 68, (1876). In this case Justice CLIFFORD was the spokesman of the Supreme Court in announcing, for the third time, that infringers of patents are liable in equity as trustees. He could not make the matter any clearer than Justice MILLER had twice done, and he did not make it any less clear, for he said: "Controversies and cases arising under the patent laws, are originally cognizable as well in equity as in law, by the circuit courts, or by any district court having circuit powers. Prior to the passage of the act of the 8th of July, 1870, two remedies were open to the owner of a patent whose rights had been infringed, and he had his election between the two: he might proceed in equity and recover the gains and profits which the infringer had made by the unlawful use of his invention, the infringer in such a suit being regarded as the trustee of the owner of the patent, as respects such gains and profits; or the owner of the patent might sue at law, in which case he would be entitled to recover, as damages, compensation for the pecuniary injury he suffered by the infringment, without regard to the question whether the defendant had gained or lost by his unlawful acts."

The learned justice then went on to say that the above has been modified by the Act of 1870, only to the extent of allowing the complainant to recover damages in addition to profits, in certain cases in equity; the profits, however, being recoverable precisely as they were prior to 1870. This statute (Sec. 4921, R. S.) recognizes the doctrine we contend for, inasmuch as it contemplates profits and damages as being independent and distinct things, recognizing the recoverability of the one in equity, and enacting, for the first time, the recoverability of the other on that side of the court.

16. *Vaughan* vs. *The East Tennessee, Virginia and Georgia R. R. Co.*, 9 *Legal News*, 255, (1877). The bill in this case prayed for an account of profits, but not for an injunction.

The patent on which it was based expired nearly six years before the bill was filed. The present Judge BAXTER who was then at the bar, appeared for the defendant and demurred to the bill for want of equity. Judge BROWN, then holding the circuit court at Knoxville, overruled the demurrer after argument, and in his written opinion held that equity had jurisdiction quite independently of any injunction.

17. *Vaughan* vs. *The South and North Alabama R. R. Co.*, decided by Justice BRADLEY, in the Middle District of Alabama, June 2, 1877. The bill in this case was precisely like that in the case last mentioned, save that it was brought against another defendant, and was filed a few days later than the other. The defendant filed a demurrer, and assigned as causes: "1st, That it appears by complainant's own showing by his said bill of complaint that complainant is not entitled to the relief or discovery prayed by said bill against this defendant," and "5th, For further cause of demurrer to said bill of complaint, defendant saith that by complainant's own showing, he has a complete and adequate remedy at law, as to the grievances and matters set forth in said bill."

The order of the Court which was entered on that demurrer was as follows: "This cause being heard on demurrer to the complainant's bill, and the court having considered of the same. It is ordered adjudged and decreed, that the demurrer be overruled with costs." JOSEPH P. BRADLEY, *Circuit Justice.*

18. *Vaughan* vs. *Wallace*, decided by Justice WOODS, in the Northern District of Georgia, October 23, 1877. The bill in this case was identical with the two last mentioned, save as to the name of the defendant, and like them it was filed in September, 1876. This defendant also filed a demurrer, assigning as causes "1st, That the said complainant has not as appears by his said bill, made out any title to the relief thereby prayed," and "2d, That the said complainant hath not in and by his said bill made or stated such a case as doth or ought to entitle him to any such discovery or relief as is thereby prayed from or against this defendant."

This demurrer does not very distinctly raise the question now at bar, but Justice WOODS will no doubt take judicial notice of what was actually argued and decided in the case. If I am correct in this opinion, then I have a right to suggest to his Honor, as I now do, that one of the defences insisted upon by the defendant was the same as that now under discussion, and that I was of counsel for the complainant and argued that question in print. Some days after the submission of the case, the following order was entered therein: "Having heard argument on this demurrer in the above stated case, it is ordered that the same be overruled." W. B. WOODS, *Judge.*

19, *Sayles* vs. *The Dubuque and Sioux City R. R. Co.*, 5 *Dillon*, 562, (1878). The bill in this case was filed by the same complainant, and was based on the same patent as the bill at bar. Indeed it was the same printed form of bill, and the same counsel appeared for the defendant, and filed a demurrer, and assigned the same causes as those he assigned against the bill now before the court. He also argued the case at great length and with uncommon ability, and afterward filed a printed argument on the jurisdiction of equity, covering eighteen pages much larger than this. On the other hand, though I did as well as I could, my argument for the complainant was very imperfect. Judges DILLON and LOVE, however, overruled the demurrer, and concurred in the following opinion: "Although the original and extended term of the letters-patent had expired before this suit was brought, we think the bill can be maintained in equity, on the ground that it seeks a discovery and accounting for profits, made by the defendant's use of the plaintiff's property, which profits, if not trust moneys strictly, are of that nature, and necessarily require an investigation which a court of law is not so competent to make as a court of equity."

20. *The City of Elizabeth, et al.*, vs. *The American Nicholson Pavement Company*, 97 *U. S.* 126, (1878).

There were three defendents in this case: The City of Elizabeth, The New Jersey Wood Paving Company, and George W. Tubbs. They all admitted in their answers, that they had

jointly put down a large amount of wood pavement, known as the Brocklebank and Trainor pavement, and the court below held, that in so doing, they had jointly infringed the Nicholson Patent, and finding the infringer's profits to have amounted to $74,992.16, rendered a decree against all jointly, for that amount. No injunction was ever granted in the case.

When the case reached the Supreme Court, it was there shown from the record, by Mr. Keasbey, in behalf of the City of Elizabeth, that though the infringement was joint, the profits were all received by one of the infringers, to wit: The New Jersey Wood Paving Company. Mr. Keasbey thereupon insisted, that inasmuch as the recovery was an equitable one, based on the idea of trusteeship, the decree should have gone only against that one of the defendants which realized the money. He showed that though his client was a joint *infringer*, it was not a joint *trustee*, because it never had or handled any of the trust funds, to wit: the infringer's profits. Mr. Seward insisted for the complainant, that the recovery was awarded as the *damages* suffered by his client, and that, therefore, on a well-known principle of the law of torts, the recovery properly went against all the *tort feasors* jointly, regardless of any inquiry as to which of the wrong doers had pocketed the proceeds. Here was a square issue between the two theories, and the question whether the decree should have been joint or several, depended wholly on its determination.

The Supreme Court adopted and acted upon Mr. Keasbey's theory, and finding no other error in the record, sent the case back to the court below, with directions to enter the decree against The New Jersey Wood Paving Company alone. Mr. Justice BRADLEY said, in delivering the opinion of court: "If an infringer of a patent has realized no profits, from the use of the invention, he cannot be called upon to respond for profits; the patentee in such case, is left to his remedy for damages," and that: "Damages are not sought, or at least, are not recoverable, in this suit. Profits only, as such, can be recovered therein."

That infringer's profits have many times been recovered in equity is not denied by any one. That they must have been recovered either on the doctrine of constructive trusts; or as the measure of the plaintiff's damages, is equally certain. If they had been recoverable on this last ground in the case under examination, the result would have been one of marked injustice to an innocent infringer. The City of Elizabeth New Jersey, would in that event, necessarily have been held liable for a large sum of money, not one cent of which did it ever enjoy or even touch. The doctrine of a trust, on the other hand, simply extracted from the treasury of another infringer, the very money which went into that treasury as the result of that infringment.

21. *Sayles* vs. *The South Carolina R. R. Co.*, decided by Judge BOND May 8, 1878. The bill in this case was in all material respects like that in the Dubuque and Sioux City case. James Conner, the Attorney-General of the State, appeared for the defendant, and filed a demurrer, and assigned one cause therefor, to wit: "That the complainant's said bill of complaint, in case the same were true, which this defendant does in no wise admit, contains not any matter of equity whereon the court can ground any decree or give the complainant any relief or assistance against this defendant, and that a discovery of the several matters in the said bill contained could if necessary be as fully obtained by a proceeding at law." On that demurrer the following order was entered: "On hearing the pleadings in this case and after argument of counsel: It is ordered adjudged and decreed that the demurrer be overruled and that the defendant do file their answer to the complainant's bill within thirty days." HUGH L. BOND, *Circuit Judge.*

22. *Sayles* vs. *The Lake Shore and Michigan Southern Railway Company*, decided by Justice HARLAN, October 8, 1878. This was an earlier case than the case at bar; but it was between the same parties and based on the same patent. As far as the question of the jurisdiction is concerned, the bill and demurrer filed in it were identical with the corresponding pleadings in the bill at bar. On that demurrer Justice

HARLAN delivered an oral opinion which was taken down verbatim by a stenographer, and which, as far as it referred to the jurisdiction, was as follows: "The argument of the counsel for the defendant was put with very great force. I need not intimate what might have been my conclusion if the question were new; as I am convinced that it is settled law, determined by the weight of authority, that independent of those cases where the account may be had on the ground of the injunction, the jurisdiction is now entertained in the Chancery Court, on the ground that the party violating the patent is a trustee, and that he holds whatever profits he has made, in trust for the patentee." His honor thereupon caused the following order to be entered in the case. "Now comes the parties by their solicitors, and now comes on to be heard the demurrer of the defendant to the complainant's bill of complaint herein, and after hearing the same, the court being now fully advised in the premises, overrules said demurrer as to all the causes of demurrer therein assigned, except the third and seventh, and sustains said demurrer as to said third and seventh causes assigned therein."

23 *Stevens* vs. *Kansas Pacific Railway Co.*, 5 *Dillon*, 486, (1879). In this case the bill was filed nearly six years after the expiration of the extended term of the patent. It prayed for an account of infringer's profits and for general relief. The defendant interposed a demurrer on the ground that the matter was exclusively of legal and not of equitable cognizance. Ex-Secretary Usher argued it orally, and the counsel for the defendant in the case at bar, filed his elaborate printed brief for the defendant. Justice MILLER, however, overruled the demurrer and delivered the following opinion: "I have no doubt that a bill in equity, when otherwise maintainable, will lie in behalf of a patentee, although the patent has expired and the case is such that no injunction has issued or can issue. The infringer is converted into a trustee for the patentee, as to profits made by the former, from the use of the patented invention; and this is a sufficient ground of equity jurisdiction of a bill to ascertain the amount of such profits, and to compel the infringer to account for the same."

24 *Gordon* vs. *Anthony*, 16 *O. G.*, 1137, (1879). The bill in this case was filed more than a year after the expiration of the first term of the patent. The patent had in fact been extended, but the bill did not state that fact, because the plaintiff did not own the extended term. The report says, that: "It is urged for the defendants that as the patent had expired when this suit was brought, and no injunction could then be granted in it, and the bill is not a bill for a discovery, the court has no jurisdiction to award an account, and therefore cannot take cognizance of the suit as a suit in equity." To support this contention the defendants seem to have relied upon the cases of Draper *vs.* Hudson, 1 Holmes, 208, (1873), and Stevens *vs.* Gladding, 17 Howard 455, (1854). Judge BLATCHFORD, who heard the case, reviewed a few of the authorities I have cited, and held, that: "The weight of authority in this country is in favor of the right to an accounting in a case like the present."

His Honor made the following remarks in regard to the case of Draper *vs.* Hudson: "The bill was for an injunction and an account. The defendant died pending the suit, and his executor was made defendant. No discovery was prayed against the executor, and there was no proof of infringement by him. The case is a difficult one to understand. There were two claims in the patent, which was a re-issued patent. The court held that no infringement of the first claim after the reissue was shown, and that the second clain was void. A dismissal of the bill would seem therefore to have been necessary, yet the court went on to say that, as there could be no injunction against the original defendant, who was dead, and none against the executor because he had not infringed, the right to an account failed because the right to an injunction and a discovery failed. English cases were cited."

Judge BLATCHFORD also made the following reply to the citation of Stevens *vs.* Gladding: "That was a bill in equity founded on the infringement of a copyright. The Supreme Court held that there had been an infringement. The bill prayed for an injunction and for general relief, but did not pray for an account nor was an account stated in the answer. The

question raised was whether there ought to be a decree for an account. Of course the plaintiff was entitled to a decree for an injunction. The point considered was whether the plaintiff could have a decree for an account when he had not prayed for it. The court held that, as he was entitled to an injunction, he could have an account of profits, as an incident, and also that as the bill stated a proper case for an account, one could be ordered under the prayer for general relief. The case does not decide, nor does it follow from it that where as here the plaintiff states a case for an account, and prays for an account, he cannot have an account even though not entitled to an injunction."

25. *Sayles* vs. *The Mobile and Spring Hill Railroad Co.*, decided by Judge BRUCE, in the Southern District of Alabama, June 15, 1880. The bill in this case was substantially like those in the preceding Sayles cases. A distinguished Alabama lawyer this time tried *his* skill at arguing demurrers. Among the causes he assigned was the following "The said complainant hath not by his said bill made such a case as entitles him in a court of equity, to any discovery account or relief from or against this defendant touching the matters contained in said bill or any of such matters," and the following: "The complainant is not entitled upon said bill to the relief he prays for, because he had a plain, adequate and complete remedy at law." On this demurrer the court entered the following order: "Now comes on to be heard the defendant's demurrer in this cause, and upon argument thereof by G. Y. Overall, counsel for the defendant, and Albert H. Walker, counsel for the complainant, and the court now being fully advised in the premises, the said demurrers are hereby overruled."

26. *Sharp* vs. *Stamping Company*, 103, U. S., 250, (1881). In this case the complainant filed a bill for an account and an injunction. The court below dismissed the bill for want of novelty in the patent; but the Supreme Court disagreed with the Circuit Court on that point, and reversed the decree. Justice WOODS, in delivering the opinion, said: "The defendant should account to the complainant for the gains and profits

derived by it from the infringement of the patent." Now unless equity had jurisdiction of that case independently of an injunction, Justice WOODS should have said: "The defendant should account to the complainant for the gains and profits derived from the infringement of the patent; *provided* the latter succeeds in getting an injunction to prevent *further* infringement." If this proviso had any foundation in law, its practical importance in the Sharp case might turn out to be very great. The defendant corporation would in that event have power to prevent an injunction by simply committing corporate suicide any time after Justice WOODS delivered that opinion, and before the mandate should reach the court below. No court will enjoin a dead corporation any more than it will enjoin a dead man. (See Mumma *vs.* Potomac Company, 8 Peters, 286, (1834). The infringer of a patent having died, no injunction will lie against his legal representative. (Draper *vs.* Hudson, 6 Fisher 327, (1873). If the jurisdiction of equity in the Sharp case were dependant on an injunction, the Stamping Company would therefore need only to cease doing business, and divide its assets among its stockholders in order to totally defeat the decree of the Supreme Court. Being based, however, as that jurisdiction is, on the doctrine of a constructive trust, no such devices would enable the men who compose that corporation to preserve their plunder. (See Curran *vs.* Arkansas, 15 Howard, 311, (1853,) and R. R. Co., *vs.* Howard, 7 Wallace, 409, (1868). When, therefore, Justice WOODS announced that "the defendant should account to the complainant for the gains and profits derived by it from the infringement of the patent," he pronounced a decree, which, if it were not based upon the doctrine of trusteeship, could not stand against the will of the defendant corporation.

27. *Root* vs. *The Denver and Rio Grande Railway Company*, decided by Judge HALLETT, November 12, 1881. The original bill in this case was filed by Thomas Sayles, July 1, 1879, and was substantially like the bill at bar. The defendant demurred to the jurisdiction of equity, and the case was submitted to the Judge, on printed briefs, in September, 1880.

Mr. Sayles died November 19, 1880, and the suit abated. A bill of revivor was filed by Mr. Root, June 22, 1881, and Judge HALLETT, having had the case under advisement for several months, overruled the demurrer November 12, 1881.

Glancing backward now, over the foregoing twenty-seven Federal patent cases, we find that in sixteen of them the precise question now under review arose and was decided either on demurrer or on final hearing, and was decided every time in favor of the jurisdiction of equity. One or more of the sixteen cases were decided in each of the nine circuits, except the ninth. Of the eighteen Federal judges who made the sixteen decisions, seven were or were afterward justices of the Supreme Court. Four of those justices still live, and are serving on the Supreme bench. The three who are gone—NELSON, GRIER and CLIFFORD—were, during their terms of service, called upon by their brethren to prepare and deliver the opinion of the court in sixty-four out of the 196 patent cases which were decided in that tribunal during the first ninety-two years of its existence. The four who remain have already been similarly called upon in thirty-two cases. In almost half, therefore, of all the patent cases ever adjudicated by the Supreme Court, the opinions were delivered by justices, who on the circuit, decided the question at bar in favor of the jurisdiction of equity. We find also that in three others of the twenty-seven decisions, the Supreme Court in full bench, announced that the recovery, in such cases as that at bar, stands on the principle of converting the infringer into a trustee. The statements and arguments involved in the cases I have numbered 1, 2, 6, 9, 10, 13, 20 and 26, are not so susceptible of classification, as are those of the other nineteen, but they all throw harmonious and important light upon the general subject.

It may seem that at this point, a period should be put to the discussion of the subject. I am, however, as conscious that I have more to say, as that I have already said more than enough. Knowing that the writer does not have the reader at his mercy, as the orator does the hearer, I will therefore proceed still further with the investigation, though at the risk of an entire want of interest among the justices of the court.

"This court has denied relief in cases in equity where the remedy at law has been plain, adequate and complete, though the question was not raised by the defendants in their pleadings, nor suggested by the counsel in their arguments." Such is the language of Justice CAMPBELL in delivering the opinion of the court in Hipp *vs.* Babin, 19 Howard, 278, (1856,) and that language is followed by citations of four earlier cases. It follows, from this point of law, that if the Supreme Court has repeatedly granted relief in equity on bills brought for infringing patents, independently of an injunction, the public is justified in concluding that equity has jurisdiction of such bills; "though the question was not raised by the defendants in their pleadings, nor suggested by the counsel in their arguments." Now the Supreme Court has done that thing in at least the following cases:

Rubber Co. *vs.* Goodyear, 9 Wallace, (1869.)
Cawood Patent, 94 U. S., (1877).
Elizabeth *vs.* Pavement Co., 97 U. S., (1878).
Marsh *vs.* Seymour, 97 U. S., (1878.)
Hendrie *vs.* Sayles, 98 U. S., (1879.)
Parks *vs.* Booth, 102 U. S., (1880.)

These were all very important cases. The opinion of this court in each of them was very elaborate. It plainly appeared in the record that no injunction was granted in either, and that in one of them the patent expired long before the bill was filed, and in two others long before the first decree in the court below was entered. If equity has no jurisdiction of patent suits independently of an injunction, then this court never had any jurisdiction of either of those cases, for as is said in the case of Hipp *vs.* Babin, "No admission of parties can change the law, or give jurisdiction to a court in a cause of which it hath not jurisdiction." It follows that whoever denies the jurisdiction of equity over the bill at bar, seeks to put the Supreme Court of the United States in the position of having unlawfully compelled the Providence Rubber Co. to pay to Mr. Goodyear the sum of $310,757; and of having unlawfully compelled other defendants to pay to other complainants other smaller sums.

Such an one seeks also to put several of the circuit judges in the similar predicament, of issuing and enforcing wholly unauthorized and extra-judicial decrees, for in the following cases accounts of profits were also decreed without any injunction:

Emigh *vs.* Railroad Company, 2 Fisher, (1863.)
Jordan *vs.* Dobson, 2 Abbott's U. S. Rep., (1870).
Bignal *vs.* Harvey, 18 O. G., 1275, (1880).
Stevens *vs.* Railroad Co., 19 O. G., 935, (1881).
Blake *vs.* Manufacturing Co., 19 O. G., 1219, (1881).
Manufacturing Co. *vs.* Haish, 19 O. G., 173, (1881).

In some of these cases the patents expired before the bills were filed, and in others before the hearing. The cases were decided by Justice STRONG, and Judges DRUMMOND, BLATCHFORD, BOND and MORRIS. In the one decided by Justice STRONG; that of Jordan *vs.* Dobson; his Honor said: "As the extended patent has now expired, there can only be a decree for an account."

Let us now consider the argument *ab inconvenienti*. To make the jurisdiction dependent on an injunction, would be to make suits in equity for the infringements of patents the most fickle of judicial remedies. No complainant can ever be reasonably certain to obtain an injunction in any patent case. He *must* fail to do so if the defendant is a natural person, and happens to die *pendente lite*. He must also fail if the defendant is a corporation and happens or decides to cease doing business as such, before the suit is ripe for an injunction. In either of these cases, and without any fault or foreknowledge on the part of the complainant, his suit, if it were dependant on an injunction, would have at once to be dismissed, no matter how much time or how much money he had spent in its prosecution. So also, if such were the law, any defendant who could stave off a hearing till after the expiration of the patent, would escape not only the injunction, but would escape the suit altogether, and escape also the right of action for profits. It is in the nature of patent litigation to be extremely slow, because the favorite defense of want of novelty, may be based on numberless alleged cases of prior use "discovered" one by one, by the

defendant, pending the litigation. He has, therefore, only to come into court, at almost any stage of the case, armed with *ex parte* affidavits of a new case of prior use, and his own affidavit that he has only just learned of it, in order to be permitted to amend his answer and take more testimony. The overworked judges, moreover, are often so terrified at the enormous mass of evidence presented on final hearing, that they postpone their decisions, often for many months and sometimes even for years. If however a particular complainant, sueing long before his patent expires, encounters neither the death, dissolution nor delay of the defendant, and escapes also the delays of the court, it is still very doubtful whether he will secure an injunction. He can never demand it as an absolute right. Whether it shall issue is a question for the discretion of the circuit court, and from that discretion there is no appeal. Judge DRUMMOND refused an injunction, after a final hearing, on the very patent at bar before it expired, on the ground that public policy forbade the discontinuance of its use by the defendant. He has lately refused an injunction, after final hearing, in the case of The Washburne & Moen Manufacturing Co. *vs.* Haish, on the ground that the complainants had licensed third parties to make and sell the barbed fence wire covered by the patents. The case as reported in 19 O. G., 173, merely decrees an account without any injunction. The reasons for refusing the latter were subsequently given by the court, and not yet reported. I, however, feel at liberty to state them, because it was the counsel of the defendant at bar, that as counsel for Haish, averted the injunction on the ground stated.

The case of Pullman *vs.* The Baltimore and Ohio, 19, O. G., 224, (1881,) illustrates still other circumstances in which, if the jurisdiction were dependent on an injunction, complainants would without their fault or delay, be helpless in a court of equity. For ten years the Baltimore and Ohio Railroad Company, under contracts with the complainants, used the sleeping cars of the latter. In 1880 it built such cars without leave, and was about to use them when the bill was filed. The court refused an injunction *pendente lite*. Before a

final hearing can possibly be reached, Pullman's patents will have expired, and then, if the jurisdiction were dependent on an injunction, his bill would have to be dismissed, no matter how clear his right might be.

It follows from the foregoing that the establishment of the doctrine against which I contend, would cause an enormous amount of litigation to be resultless. Courts and counsel would be constantly engaged in marching up a hill, and marching down again. Mountains would labor for years, and finally bring forth not even a mouse. Complainants would regard courts of equity with despair: and defendants would regard them with contempt. Wrong-doers would often "reap the fruits of the labor and genius of other men;" a result which we have seen Justice STORY abhorred: and this court would have established a rule, which it said in the Goodyear case, "would offer a premium to dishonesty, and invite to agression."

COMMENTS ON MR. PAYSON'S ARGUMENT.

When this case was submitted to the court on printed arguments in 1879, my brief on the jurisdiction was short. Mr. Payson's argument on the other hand was an elaborate one. What I have now written, is, I think, an answer to most of his views and citations; but there are some cases and considerations mentioned by him, to which it still remains to attend.

1. *Mott* vs. *Bennett*, 2 Fisher, 645, (1849). This was a bill for an injunction, but *not* for an account. It, therefore, called for no discussion of the question now at bar, nor does the case contain any such discussion. Mr. Payson, however, italicises and insists upon the importance of the following language found in the opinion of Justice WAYNE, "This account [of profits] will, in all cases, be decreed as incidental to the other relief, which may be obtained prospectively by a perpetual injunction." My reply is that the remark was *obiter dictum*; and that to say that an account is incident to an injunction, does not negative its being also incident to a trust. Livery of seizin was formerly incident to the creation of a life estate; but that it did not negative its being also incident to the creation of an estate in fee.

2. *Stevens* vs. *Cady*, 2 Curtis, 200, (1854). This also was a bill for an injunction only. Justice CURTIS also remarked *obiter* that: "Relief by an account, when prayed for, is incidental to an injunction." If he thought it was not incidental also to a constructive trust, he kept that opinion to himself, and changed it prior to 1871, for in his brief in the case of Mowry *vs.* Whitney, 14 Wallace, 639, he said: "The defendant is held as a trustee who has used another person's property, and only has to account for the profits actually made by this invasion."

3. *Stevens* vs. *Gladding*, 17 *Howard*, 447, (1854). The bill in this case prayed for an injunction and for general relief, but not for an account. The defendant did not deny that equity had jurisdiction to decree an account of profits. No such question as is now before the court was therefore in the case. What the defendant contended was that there could be no decree for an account of profits, without a special prayer to that end. What the court decided was that inasmuch as the complainant had in the stating part of the bill shown a sufficient title to such an account, it would be granted under the prayer for general relief. Justice CURTIS also made substantially the same neutral remark he had made in Stevens *vs.* Cady: for he said: "The right to an account of profits is incident to the right to an injunction in copy and patent right cases," and cited a single English case to support it: that of Colburn *vs.* Simms, 2 Hare, 554. Mr. Payson claims that because Justice CURTIS cited an English decision "in which the injunction is undeniably held to be the *sole* basis for an account," he thereby committed both himself and the Supreme Court to that doctrine. Without pausing to comment upon that strange argument, I call attention to the fact that nothing of the kind was either "held" or hinted, in the English case. On the hearing of that case the plaintiff waived his right to an account, and the defendants submitted to the perpetual injunction. The question the court decided was one of costs, and relevent to that question, it was called upon to decide whether it could have given any money recovery in addition to the defendant's profits. It held that it could give the profits *only*. So far from saying that it could

have given those profits, on the *sole* basis of an injunction, it did not even refer to an injunction. Indeed it hinted broadly at the doctrine of trusteeship, as the basis of the account, for it said: "The court, by the account, as the nearest approximation which it can make to justice, takes from the wrong-doer all the profits he has made by his piracy, and gives them to the party who has been wronged."

This case of Stevens *vs.* Gladding has always been treated by Mr. Payson as the chief authority for his contention that "where there is no injunction there can be no account." On page 5 of his brief he says, that, in it, "this precise point was determined." Judge BLATCHFORD, however, in Godon *vs.* Anthony, 16 O. G. 1138 (1879), says of it: "The case does not decide nor does it follow from it, that where the plaintiff states a case for an account, he cannot have an account, even though not entitled to an injunction."

4. *Jenkins* vs. *Greenwald*, 2 *Fisher*, 41, (1857). In this case there was both an injunction and an account. The defendant contended that the injunction had been improperly issued and that it ought therefore to be dissolved and the bill dismissed. Judge LEAVITT said that: "It is true, if there was no sufficient ground for the allowance of the injunction, *and* the case is to be viewed as a mere proceeding to recover compensation for an infringement of the complainant's exclusive right, there would be great force in the objection now urged to the jurisdiction of the court. In the case supposed there would seem to be an adquate remedy at law, which would render the interposition of a court of equity improper." Now, his Honor's use of the phrase "a mere proceeding to recover compensation for an infringement" taken in connection with his statement about there being an adequate remedy at law for that purpose, clearly enough shows that what he meant by "the case supposed," was a proceeding to recover *damages* in equity. He did not, however, consider a bill, to recover profits in that light, for he said, (p. 46): "The profits recoverable in an action for a violation of an exclusive right under a patent, are not regarded in the light of unliquidated damages. The right to recover rests upon

the principle that the party complained of has unlawfully appropriated to himself the benefits of an improvement or discovery, which belongs exclusively to another; and that, so far as he has made profit by such appropriation, he is liable to the party injured." Having thus stated the principle upon which the right to recover infringer's profits rests, and enforced that principle by decreeing an account of profits in that case, Judge LEAVITT'S decision clearly furnishes no support to the contention, that those profits can be recovered only on the basis of an injunction. On the contrary, that decision points to the doctrine of trusteeship as the one upon which "the right to recover rests," as clearly as it could well point, without using the very word.

5. *Sanders* vs. *Logan*, 2 *Fisher*, 167, (1861). The bill in this case was for an injunction and an account. Justice GRIER found on final hearing that the patent was invalid for two independent reasons, and that the defendant had not infringed it anyhow. That of course disposed of the case most effectually. The court, however, intimated that the patentee had established a license-fee for the use of his patent, and said that *it* was the true measure of the remedy which the patentee has a right to obtain in equity, and that, as it could be obtained at law, no account of profits in equity, was proper. The error of the court seems to be in the premises stated. No Federal Judge except Justice GRIER, and one or two others who were misled by his *obiter dicta* to that effect, has ever suggested that a license-fee, if established, is the true remedy which the patentee has a right to obtain in equity. On the contrary the Supreme Court, a few years later, said in Rubber Co. *vs.* Goodyear, 9 Wallace, 801, (1869,) that a decree for all the profits made in violation of the rights of the complainants, by respondents, "was in accordance with the *rule in equity cases* established by this court." The same rule has been so many times stated and enforced by the Supreme Court that it is now elementary. Justice GRIER'S premises being thus shown to be unsound, of course his conclusion would fall with it, even if the observations of his Honor were not, as they were, merely *obiter dicta*.

6. *Livingston* vs. *Jones*, 2 *Fisher*, 207, (1861). This case was also decided by Justice GRIER, and in the same year as the last one. The bill prayed for an injunction and an account of infringer's profits, and a decree for both had been granted in 1859. The master had reported that those profits amounted to $13,282.93, and the defendant contended that as they were given as *damages*, the court should give a final decree for three times that sum, under the authority of section 14 of the Act of 1836. The defendant denied the *right* of a court of equity to treble the sum. Justice GRIER decided this controversy in the following terms: "The respondents have made large gains by trespassing on the rights of the complainants. The profits they have made by this trespass justly belong to the true owner. The only measure of the redress to which the complainants are entitled is an account of the actual profits made by respondents. That is all that comes properly within the sphere of the remedies administered by a chancellor." His Honor therefore entered a decree for the amount reported by the master. Clearly there is no comfort for the defendant at bar, in that opinion or decree, It seems, however, that counsel had been indiscreet enough, during the argument, to call in question the soundness of Justice GRIER'S *obiter dicta* in Sanders *vs.* Logan. His Honor therefore wrote quite a long treatise in explanation thereof, and closed it by saying "These remarks as to inflicting *penal damages*, though a little out of regular order, have been made in answer to an argument of the learned counsel in this case, in which he questions the correctness of our remarks in Sanders *v.* Logan." Now it is certain that passing remarks on "penal damages" made on the circuit in two equity cases in 1861, can have no legitimate force as against the numerous later express decisions of the Federal Courts on the subject of infringer's profits.

7. *McMillan* vs. *Barclay*, 5 *Fisher*, 193, (1871). Mr. Pay- says that in this case "Judge MCKINNON quotes the above language of Justice WAYNE and makes it his own," referring to the language of Justice WAYNE, in Mott *vs.* Bennett, not long since quoted herein. Mr. Payson is, however, somewhat in

error. Judge McKINNON did not quote that language nor any similar language. No such question as the one at bar was discussed in the case; though as we have already seen Judge McKINNON in the case of Smith *vs.* Baker's Administrators, 5 O. G., 496, (1874), expressly decided that an infringer is liable in equity as a trustee, and that equity has jurisdiction in such cases without regard to an injunction.

8. *Draper* vs. *Hudson*, 6 *Fisher*, 327, (1873), S. C. 1 Holmes, 208. The bill in this case was based on a patent which will not expire till 1884. It stated infringement and prayed for an injunction and an account. Judge SHEPLEY held that the first of the two claims had not been infringed, and that the second was not valid. Of course, that ended the suit; but the judge went on to say in an *obiter dictum* that no injunction could have issued against the original defendant, because he was dead, and none could issue against his executer, the new defendant, because he had not infringed; and that "When the title to the principal relief, the injunction and the discovery, fails, the incident right fails also." To support this last statement he cited four late English cases, but no American case. His attention seems not to have been called to either of the five Federal cases in which it had already been expressly decided that equity had jurisdiction independently of an injunction, nor to either of the other prior American patent cases upon which the recovery of profits was held to be based on the doctrine of a trust. Had he known of Justice CLIFFORD'S decision in the case of Howes *vs.* Nute, which was made two years before, but which was not reported till several years afterward, it is hardly possible that Judge SHEPLEY would have made the *obiter dictum* he did. He would not thus have contradicted the law of the circuit, as established by the Circuit Justice. Judge SHEPLEY, however, also remarked in another *obiter dictum*, that "it would seem to follow" from the statement of the Supreme Court in Stevens *vs.* Gladding, that, "where the title to equitable relief fails, the incidental relief fails also." If he meant by this, that purely legal relief cannot be had in equity except as incidental to some kind of equitable relief; he meant nothing unfavorable to the

bill at bar, for that bill asks nothing but equitable relief. If he meant that "it would seem to follow" from Stevens *vs.* Gladding, that where the title to an injunction fails, the right to an account of profits fails also, he put a construction upon that case, which Judge BLATCHFORD afterward expressly decided in Anthony *vs.* Gordon that case cannot bear.

9. *Vaughan* vs. *The Central Pacific Railroad Company*, 4 *Sawyer*, 280, (1877). This case was based on the same patent as were the three Vaughan suits heretofore reviewed. Though the bill was dismissed, the case has seldom or never been cited by Mr. Payson when arguing the question at bar. The defendant objected to the jurisdiction of equity. Judge SAWYER, in deciding the case, said, "It seems to be the recognized view of the courts that there may be cases, such as where the infringer makes a profit by the sale or use of the invention, wherein the patentee may have an election of remedies, viz: by an action at law to recover the damages sustained, or by a suit in equity for an account and recovery of the profits made by the infringer from the sale or use of the invention. [Citing a few of the authorities heretofore cited in this brief.] It would seem from these authorities, that the equity jurisdiction in the latter case, rests on the ground of a trust, the patentee being entitled to the profits resulting from the sale or use of his invention, the infringer is converted into a trustee for the patentee, as regards the profits thus made, and of which he would otherwise be deprived."

Having thus stated the law, Judge SAWYER found that in point of fact, the defendant in that case, realized no profits from its infringement, and therefore he dismissed the bill. In the case at bar the bill states that the defendant realized great profits from its infringement of the patent sued upon, and as the case stands upon demurrer, that statement must, for the purposes of this hearing, be taken to be true. If, after the case is remanded to the court below, we fail to prove its truth, the bill will of course have to be dismissed at complainant's costs: dismissed, not for want of jurisdiction, but for want of evidence. In the meantime we may say that we expect to prove what ad-

vantage the defendant derived from using the complainant's invention, over what it could have derived from using any other inventions then open to the public. In doing this we shall be proving what profits we are entitled to recover, strictly in accordance with the rule the Supreme Court prescribed for such a purpose in the case of Mowry *vs.* Whitney, 14 Wallace, 651, (1871.)

10. *Sayles* vs. *The Richmond, Fredericksburg and Potomac Railroad Company*, 3 *Hughes*, 172, (1879). The bill in this case was identical with those in the three Sayles cases heretofore explained, and in which Justice HARLAN and Judges DILLON and BOND respectively, had sustained the jurisdiction of equity. The demurrer involved not only that question, but, also, two others, neither of which came before Judge BOND. When I argued the case I made the mistake of assuming that Judge HUGHES would follow Judge BOND'S decision as the law of the fourth circuit, until reversed by the Supreme Court. I therefore cited that decision and a few others, including two in which the Supreme Court had said that infringers were liable in equity as trustees; but I addressed myself mainly to the other questions in the case. The result was that Judge HUGHES prepared an elaborate opinion holding that equity had no jurisdiction independently of an injunction, and dismissed the bill. This is the first, last and only known American patent case, in which the bill was dismissed on that ground. In order to outweigh the sixteen cases in which Federal courts have expressly refused to dismiss similar bills under the same and substantially the same circumstances; it would need to be supported either by the extraordinary reputation of the judge; or the conclusiveness of his arguments; or the number and weight of his citation of cases in analogous fields of jurisprudence. In the presence instance all these are lacking. The warmest friends of Judge HUGHES will not claim that as a jurist he surpasses all of the eighteen Judges who made the contrary decisions, though as a journalist he has no doubt had more experience than they. Nor does he cite a single adjudicated case of any kind to support his decision on this

point; and when we examine his arguments we find they are all based upon his statement that "The case is in principle precisely identical with that of such [unauthorized] use of a horse, or a boat, or a wagon and team, or threshing machine: giving a right of action in assumpsit," (p. 180,) and that "In such a case the owner may recover damages in trespass for the tort; or he may waive the tort and sue in assumpsit," (p. 179). This elementary error of supposing that the owner of a patent has a right to sue in *assumpsit* and thus recover what *ex æquo et bono* belongs to him, was one which I did not suppose his Honor was liable to make, and therefore I did not guard against it in my very brief presentation of the case. Except for that misunderstanding there is probably no reason to believe that Judge HUGHES would have reversed the ruling of Judge BOND.

We have thus far reviewed all the American patent cases cited by Mr. Payson on the question of the jurisdiction of equity. What support they afford to his contention, it is for the court to judge.

Mr. Payson also quotes several sentences from Story's Equity Jurisprudence. He omits however two material sentences which are to be found in the text in connection with the sentences he quotes. In the omitted language Justice STORY stated that his observations would be limited to the consideration of the cases in which courts of equity will interfere to protect patent rights by granting injunctions. He thus expressly disavows any purpose to explain the principles on which decrees for money recoveries, are or might be based. He does, however, say that an account of profits will be decreed as incidental, in addition to the other relief by a perpetual injunction. He does not say or imply that such a decree may not be granted without an injunction. If he had undertaken in his Commentaries, to discuss that subject, he would doubtless have applied to it the language we have seen he used in Lowell *vs.* Lewis. He would probably have said: An account of profits should always be decreed in equity; "that wrong-doers may not reap the fruits of the labor and genius of other men."

The modern English cases cannot control the Supreme Court of the United States, against the ancient English rule, or against the long line of American authorities which I have cited. Yet it is interesting to trace the successive steps by which, in the course of a hundred years, the English Court of Chancery reversed its own well established doctrine. What that doctrine was in 1789, has been fully shown in the first part of this brief. The next deliverance which an English chancellor made upon the subject, was made by Lord Eldon in Pultney *vs.* Warren, 6 Vesey, Jr., 89, (1801). In that case a bill was filed for an account of *mesne profits* derived from the use of a house. The jurisdiction of equity was disputed; but it was sustained by the court, though no injunction was prayed or was proper. Lord Eldon, however, said in an *obiter dictum* that Lord Hardwicke states expressly, in the Jesus College case, "that if there is not ground for an injunction to stay *waste*, the party must go to law." Now on turning to the Jesus College case, we find that Lord Hardwicke did not so state expressly; and on examining the later case of Garth *vs.* Cotton, 1 Dickens, 211, we find that in it, Lord Hardwicke did state expressly that "the point was not absolutely determined" in the Jesus College case, and we also find that thereupon he determined it the other way, by taking jurisdiction of a bill for an account of waste, independently of any injunction.

The next case was that of the Universities *vs.* Richardson, 6 Vesey, Jr., 705, (1802). The bill here was based on a copyright, and prayed for an injunction and an account. A preliminary injunction had been granted, and the opinion reported decided nothing but a motion to dissolve it; and decided that motion adversely to the mover. Though quite irrelevant to the question before him, Lord Eldon remarked that: "the suit proceeds upon a notion that the plaintiffs have a right to restrain; which will carry along with it a right to call upon the court to enjoin, and for an account."

The next case was Grierson *vs.* Eyre, 9 Vesey, Jr., 346, (1804). This also was a copyright case; the bill praying for an account but not for an injunction. The defendant denied the

jurisdiction on the authority of the Jesus College case. Lord Eldon said: "In cases of waste the account certainly goes merely on the injunction." He declined however, to apply that *dictum* to the case before him, for he proceeded to say: "The question here is upon the legal right of the plaintiff, and if he can maintain an action [at law] upon the legal right, the account is to be granted, if there is no objection to the form of the bill." On that question he took time to consider, and two days later dismissed the bill.

With no foundation save a misunderstanding of the Jesus College Case, followed by the three *obiter dicta* of Lord Eldon which had been based on that misunderstanding, but which he had refused to enforce in a copyright case, the reporter carelessly said in the note quoted by Mr. Payson. "It is now perfectly established that in cases of waste, if an injunction be not prayed, an account will not be decreed." When Mr. Vesey wrote that note, that doctrine had never been the basis of the decision of any case; and precisely the contrary doctrine had been made the basis of the decision of the case of Grath *vs.* Cotton and also that of Lee *vs.* Alston.

The *dicta* of Lord Eldon and the assertion of Mr. Vesey continued to be dead letters till 1829. Sir John Leach was Master of the Rolls, in that year, and he seems to have read the *dicta* and the assertion; but to have been ignorant of the two decisions of Lord Hardwicke and Lord Thurlow. When, therefore, the case of Bailey *vs.* Taylor, 1 Russ and M., 73, (1829,) came before him, he suggested of his own motion, that having refused the injunction, he ought for that reason to refuse the account. The copyright had not expired even at the hearing, and an account had in fact been taken. The plaintiff was before the court asking that the defendant be perpetually enjoined; and be decreed to pay over to the plaintiff the amount of his proven savings. The Master of the Rolls exercised his discretion, and on somewhat slender grounds refused the injunction, and having refused the injunction, for lack of an injunction, he refused to decree the already proven account. This was the first case, even in England, in which a bill analogous to the one

at bar, was dismissed for want of an injunction; and it remained for a quarter of a century without any companion. It is true that in the case of Parrott *vs.* Palmer, 3 Myln & Keen, 640, (1834,) Lord Brougham said "But it may be laid down generally that, unless in the case of mines, the rule is—no injunction, no account." The case before him *was* a case of mines, and therefore his very guarded statement of the rule in other cases was a mere *obiter dictum.* What he decided was that as to mines at least, the complainant may have an account, even in cases where no injunction would lie.

Sir W. Page Wood, Junior Vice Chancellor, in Smith *vs.* The London and Southwestern Railway Co., Kay, 408, (1854,) on the sole authority of the case of Bailey *vs.* Taylor, did what had never before had been done either in England or America: he dismissed a bill in a patent case for want of an injunction. In their argument in that case, the learned Queen's Counsel, Mr. James, together with Mr. Selwyn for the complainant, stated that: "So far from the account being incident to the injunction, until lately, the common practice was to insert a prayer for an account in all injunction bills, to sustain the prayer for an injunction." The Junior Vice Chancellor for same reason preferred, however, to ignore the ancient rule, and to give at last to the case of Bailey *vs.* Taylor the endorsement it had lacked for twenty-five years. In the case of Price's Patent Candle Co. *vs.* Bauwen's Co., 4 Kay and Johns., 727, (1858), a bill was filed for an injunction and an account, and a motion was made for an "interim" injunction. The same Vice Chancellor who had decided the Smith case, ordered the motion to stand over till the hearing. By the time the hearing was reached the patent had expired. The defendant, therefore, insisted, on the sole authority of the case of Bailey *vs.* Taylor and of the Smith case, that equity had no jurisdiction to decree an account of infringer's profits. The Junior Vice Chancellor while confessing that "It is a little hard upon the plaintiffs" held with the defendant and dismissed the bill. In Davenport *vs.* Rylands, Law Reports, 1 Eq. Cases, 302, (1865), it was held that after Cairne's Act, the court might award damages

in such a case, on the ground that the court had jurisdiction to grant the injunction when suit was commenced. The next year, however, it was repeatedly decided that Cairne's Act had no such scope, and that the rule continued as before. Calcraft *vs.* Thompson, 35 Beav, 561, (1866,) and Darrell *vs.* Pritchard, 35 Law Journal Pt. 1, 226, (1866). Finally in Betts *vs.* Gallais, 10 Eq. Cases, Law Reports, 392, (1870), a bill was filed before the patent expired, stating infringement and praying an injunction and an account. The patent expired *pendente lite.* The injunction, therefore, failed, and the account of profits was, therefore, refused.

The foregoing review of the English cases, shows that England has, since the time of Lord Thurlow, suffered a slow but now complete revolution in this part of her equity jurisdiction. That revolution had its apparently harmless beginning in the loose *obiter dicta* of Lord Eldon. The first overt act in it, was committed by an evidently ill-read Master of the Rolls. In twenty five years his decision had acquired from age, a respectability it could never acquire from reason, and was therefore thought fit to be twice followed by the junior Vice-Chancellor. On the strength of the three cases thus accumulated, four other like decisions have been rendered in England, so that the present rule in that country is precisely what Mr. Payson claims it to be both in that country and this, viz.: Where there is no injunction there can be no account." In order to establish that rule in the United States, however, it would be necessary for the Supreme Court to overturn nearly a dozen of its own decisions, and to overrule nearly twenty that have been rendered on the Federal circuit.

Mr. Payson has always been inclined to rather pride himself upon the discovery of the case of Cook *vs.* Fountain, reported in 3 Swanston, 585, but decided more than 200 years ago, in the reign of Charles II. In that case Lord Chief Justice North delivered the leading opinion, and held with the plaintiff that the leases involved in the suit were the subjects of an implied trust. Lord Chief Justice Raynsford then added his views, saying: "It is a case wherein the court may be in danger

of taking too much or too little latitude for the future" and "that a man who shall err in his judgment, shall do so at least very excusably." Accordingly, as it appears, he himself proceeded to "err in his judgment" and to "take too little latitude for the future," for he adventured to "lay down some rules" and among them one which Mr. Payson quotes, namely: "All trusts are either express, created by act of parties, or they are implied. There is one good, general and infallible rule that goes to both these kind of trusts. It is such a general rule as never deceives, to which there is no exception; and that is, the law never implies, the court never presumes a trust, except in absolute necessity." He added "It will not be amiss to illustrate this rule by putting some three or four cases upon it." He who examines the cases he cited will find that they do not support the "rule" stated. Those of them in which a trust was *not* implied are only two in number. In one it was merely held that a devise of all the estate for payment of debts was a devise in fee; and "that there was not any implied trust for the heir for the surplus; for if there were, the devisee had no benefit; and to no purpose was the devise of £200 to the heir." North *vs.* Crompton, 1 Cases in Chancery, 196, (1671). In another case, it was merely held that a purchase of land in the name of a son implies no trust; because "it should *prima facie* be intended an advancement for the son." Scrope *vs.* Scrope, 1 Cases in Chancery, 27, (1664). Clearly these cases furnish no support to the "rule" stated by Lord Raynsford. Nor do I find that the "rule" has ever yet been enforced. On the contrary, trusts have many times been implied by courts of equity, both in England and America, in cases where confessedly no absolute necessity existed, but where on the contrary, the plaintiff might have obtained equal or superior relief by an action at law. Such was the fact in the English cases of Story *vs.* Lord Windsor and Lee *vs.* Alston, and in the American case of The People *vs.* Houghtaling heretofore cited in this brief. Such also was the fact in the following additional cases: New York Ins. Co. *vs.* Roulet, 24 Wendell, 505, (1840); Smith *vs.* Wyckoff, 11 Paige, 50, (1844); White School House *vs.* Post, 31 Connect-

icut, 240, (1862). Such also has probably been the fact in scores of other English and American adjudications. Indeed, Lord Chief Justice Willes, in Scott *vs.* Surman, Willes, Reports, 405, (1742), when speaking of cases in which "a man receives money which ought to be paid to another" said: "Courts of equity always retains such bills when they are brought under the notion of a trust, and have often given relief when the the party might have had his remedy at law, if he had thought proper to proceed in that way."

Even if however the "rule" laid down by Lord Raynsford in Cook *vs.* Fountain, were a true rule, and were to be rigidly enforced in the case at bar, it would not oust the jurisdiction of equity; because it *is* absolutely necessary to the purposes of justice, that the court shall imply a trust in favor of the complainant. In no other way can any court transfer from the defendant to the executor of Mr. Sayles, the profits which the defendant realized from its piracy of Mr. Sayles' patent. In no other way can any court prevent the defendant from reaping profits from its own wrong. In no other way can the Supreme Court vindicate its numerous decisions on the subject of such profits.

On page 18 of his brief, Mr. Payson makes an argument, which, though it does not claim the support of any particular case or statute, has in it perhaps something of plausibility. When stated in logical order, the premises of that argument appear to be the following: 1. When forced by a court of equity to disgorge, it is *a reasonable rent* for the property wrongfully used, that other trustees *de son tort* are made to pay over to the rightful owner. 2. When forced by a court of equity to disgorge, it is *their profits* that infringers of a patent are made to pay over to the patentee. The conclusion appears to be as follows: Because, in one case, the reasonable rent is recovered on the doctrine of trusteeship, it follows that the profits in the other case are recovered on some other ground. Even if the premises were both true, this conclusion would not follow. In fact however, the first of the premises is untrue. In Lee *vs.* Alston, 3 Brown, 38, (1789,) the exact

question was decided. Lord Thurlow having concluded to hold the wrong doer as a trustee; the complainant seems to have urged that he was trustee for the value of the timber cut, *i. e.* for a reasonable rent. The court held that in an action at law that would be the rule, but that in equity, the complainant could recover only what the defendant got for the timber. When therefore we come to rectify Mr. Payson's premises we find they read as follows: 1. When forced by a court of equity to disgorge, it is their profits, that infringers of patents, and other wrong-doers, are made to pay over to the rightful owner of the property they wrongfully used. 2. This is done in the case of other wrong-doers on the ground of a constructive trust. The conclusion by analogy is that it is also done on that ground, in cases of infringers of patents. Thus unwittingly the counsel has produced an argument to support the three times repeated statement of the Supreme Court; when apparently he supposed he was proving that statement to be untrue. In view of this reply, Mr. Payson will probably say, that what he meant by that argument was, that: "Because infringer's profits are *ascertained* by the rule in Mowry *vs.* Whitney, *i. e.* by determining his savings, it cannot be true that they are *recovered* on the doctrine of trusteeship, for the reason that in *other* cases of trust, the profits are not ascertained in that way. If so, my reply is, that the owner of a farm is meritoriously entitled to all the good which flows from that farm, while the owner of a patent is only entitled to the benefit of the onward step he has taken in the art to which it pertains, and which is precisely the good that flows from his invention. It is in the nature of the two things that the good flowing from the farm is ascertained by deducting outgo from income, and the good flowing from the invention is ascertained by comparing it with other inventions open to the public and adapted to produce the same result. In both cases the benefits are the profits, but the amount of those profits is ascertained by different tests, simply because the nature of the two kinds of property is different. All that, however, is quite foreign to any inquiry touching the principles upon which the profits when ascertained are recoverable in court.

Mr. Payson says he cannot better close his argument on the jurisdiction than by the following extract from the opinion of Lord Westbury in Knox *vs.* Gye, 5 Law Reports, House of Lords, 675, (1872): "It is most necessary to mark this again and again, for there is not a more fruitful source of error in law than the inaccurate use of language. The application to a man, who is improperly and by metaphor only called a trustee, of all the consequences which would follow if he were a trustee by express declaration—in other words a complete trustee—holding the property exclusively for the benefit of the *cestui que trust*, well illustrates the remark of Lord Mansfield that nothing in law is so apt to mislead as a metaphor." The so-called "noble and learned Lord" who made these remarks, was not a judge, but only a peer. His speech was one of the three delivered in the House of Lords in addition to the opinion of the Lord Chancellor. In commenting upon Lord Westbury's observations the Lord Chancellor remarked: "He said, very much to my surprise, that there is nothing fiduciary between a surviving partner and the executors of a deceased partner." That, however, was not doing justice to Lord Westbury, for he had added to that statement the words: "except that they may respectively sue each other in equity." Lord Westbury's speech does not furnish evidence of much accurate learning in the law, but the drift and conclusion of it is, that in his opinion, the surviving partner was enough of a trustee to be sued in equity, but not enough of a trustee to deprive him of the right to plead the statute of limitations. That would answer also as a layman's description of the trustee in the case at bar. The defendant being a constructive, and not an express trustee, can doubtless have all the advantage here of any statute of limitations which it could invoke if the action were at law. Lord Westbury having held as he did, that what he called a "trustee by metaphor," was enough of a trustee to give equity jurisdiction, I do not see how his Lordship's observations would aid the defendant at bar, even if they had fallen from the lips of a high authority.

Mr. Payson says on page 8 of his brief, that: "The value of the patent here consists solely in the license fee, and hence an ac-

count is not wanted." He forgets that we are arguing a demurrer to a bill, and that as the bill says nothing about a license fee, the court cannot know whether one was ever established. Moreover, the Supreme Court, though it has many times stated that profits are recoverable in equity, and many times affirmed decrees enforcing such recoveries, has never said or intimated that the doctrine is limited to cases where no license fee exists. Having assumed without authority, that there was a license fee established for the use of the patent at bar, Mr. Payson attempts to support the alleged materiality of that fact by citing Sanders *vs.* Logan, Livingston *vs.* Jones, and Pavement Co. *vs.* City of Elizabeth, 6 O. G., 766, (1874). I have already shown that the two former cases furnish no legitimate support to such a contention, and will now show that the latter holds the reverse of the doctrine it is cited to sustain. In that case it was proven that a license fee of thirty-one cents per square yard had been established, by a stipulation in the complainant's assignment from the owners of the patent, and the defendant insisted that, therefore, nothing more could be recovered. Judge NIXON discussed the matter at length and held, that: "The only question before the master was one of accounting for the profits realized from the infringement of the complainant's patent"; and that "there was no principle of justice or equity that limited the accountability of the defendants to the payment of certain royalties, which, under other circumstances, the complainant might have been compelled to accept as the proper measure of his loss." The "other circumstances" referred to by the court would be the circumstances of an action at law, to recover damages. When the case reached the Supreme Court the defendant renewed the contention, but with no better success. Justice BRADLEY in delivering the opinion said: "Whatever bearing the stipulation in the assignment may have on the measure of damages, in an action at law, it affords no defence to the appellants, when called upon to account for the profits which they have wrongfully made by pirating the invention."

On his eighth page also, Mr. Payson denies that the defendant realized any profits from its use of the brakes. In so saying, however, he contradicts the bill on a pure question

of fact, and as by demurring to the bill he confessed its truth *de bene esse*, it is elementary that he has no right to support his demurrer by denying that truth. If he can prove what he asserts, let him set it up in a plea or an answer. A demurrer is not the place in which to settle disputed questions of fact.

A single sentence of eight words on the eighth page of his brief, suggests to me an argument for the defendant, which Mr. Payson does not make, but which to my mind seems as weighty as any of those upon which he relies. That sentence is as follows: "The plaintiff could not possibly use this invention." This, also, is a statement of fact, not expressed in the bill; but if, unlike those just reviewed, it is implied there, it may be taken into account and weighed. It is obvious, however, that Mr. Sayles might have used the invention if, like some men, he had owned a railroad; and as the bill does not state that he did not own one, it does not imply that he could not use this invention. Mr. Payson's statement must therefore be disregarded.

Let us, however, suppose him to have said "The plaintiff could not use this invention, on the defendant's road," and then inquire whether *that* statement is implied in the bill. Of course it is not so implied, unless the court takes judicial notice that railroad companies never allow other persons to run cars on their roads. But if the court takes any judicial notice on the subject, it will be that this defendant did formerly allow the Pullman, and now allows the Wagner sleeping cars to be run on its road. Nothing in the nature of the case hindered it from also engaging Mr. Sayles to put his double brakes on the defendant's cars, and hiring brakemen to operate them. During the time of the infringement the brakes were operated wholly by men, and not by compressed air; and the brakemen, though hired and paid by Mr. Sayles, could have been subject to the orders of the defendant, the same as though hired and paid by it. Indeed the passenger trains on the Pennsylvania Railroad were formerly made up of cars, the brakes of which were operated by the servants of contractors, but under the orders of an agent employed by the owner of the road. All the circum-

stances of that method of railroading, are stated by the Supreme Court of Pennsylvania in the case of Peters *vs.* Ryland, 8 Harris, 497. We see, therefore, that even this last statement, if it had been made, is neither implied in the bill or true in the nature of the case.

Let us therefore take another step and suppose that Mr. Payson had said that: "The plaintiff could not use this invention, on the defendant's road, without its consent." That statement of fact I admit to be fairly deducible from the bill. It is therefore entitled to be weighed when considering the demurrer. Mr. Payson having made no such statement, and no argument based on such a statement, if the matter is to be discussed, it seems to devolve upon me to supply not only the former but also the latter. Let me therefore for a moment assume the side of the defence; and I will do so in the following terms:

Conceding, for the purpose of the present argument, that equity has general jurisdiction independently of an injunction, to decree an account of infringer's profits, on the ground of a constructive trust, does it follow that there are no exceptions to that rule? Where the patent is of such a nature that the unlawful use sued upon could not have been lawfully had without the consent of the infringer, is it equitable that the profits should be paid over to the patentee? If this last question should be answered in the negative; will a court of equity imply a constructive trust in order to do what it is not equitable to accomplish? If it will not, in such a case imply a constructive trust, on what ground can it take jurisdiction of the bill?

Let me try to answer these inquiries, in accordance with reason, and, as far as any are relevant, in accordance with the decisions of the Supreme Court. No exception to the general rule has ever yet been found and applied by any Federal Court; and it seems to me that none is likely to arise. None need arise in a case of unlawfully using a patent medicine; for it will always be impossible for a complainant to prove, under the rule in Mowry *vs.* Whitney, that the defendant would not have received the same or greater benefit from some medicine open to the public. None need arise in a case of unlawfully using the

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patented process of making a so-called "driven well;" for if that patent is valid, the infringer can afford to pay the patentee the difference between the cost of digging and the cost of driving his well. None need arise in a case of unlawfully using patent barb fence wire; for no one patent covers all the barb wire in use. It is safe to say that no user will ever be sued for using any particular patent barb wire, without being able to set up some non-infringing barb wire as a standard of comparison, and thus cut down the recovery to the difference in utility between the wire he did use and the wire he had a right to use. Nor need any exception arise in a case of unlawfully using a particular patented poison for killing cotton worms; because under the rule in Mowry *vs.* Whitney the profits recovered would not be ascertained by appraising the cotton saved, but by fixing the value of the benefit derived from using the patented poison, over what would have been realized from using the best unpatented poison. In short, I may say that I never have met in my reading or my practice, or learned from other and older counsel, of any patent likely to be infringed under such circumstances that it would be inequitable for the infringer to be compelled to pay to the patentee the profits he derived from his infringement.

Even if, contrary, to the probability, the future should develope cases in which it would not be equitable to compel the infringer to pay his wrongfully acquired profits to the patentee; the Supreme Court has already decided that it is equitable to do so in cases where the patent is of such a nature that the unlawful use sued upon, could not have been lawfully had without the consent of the infringer. Such was the nature of the patent on which the cases of Turrill *vs.* The Chicago and Alton R. R. Co. The Chicago, Burlington and Quincy Railroad Company, and The Pittsburg Fort Wayne and Chicago Railroad Company, were all based; and the decrees for infringer's profits, ascertained under the rule in Mowry *vs.* Whitney, were in all those cases, affirmed by the Supreme Court. 94 U. S., 711, (1876). Such also was the character of the patent in the case of the city of Elizabeth *vs.* The Nicholson Pavement Co., 97 U. S., 127,

(1877). In that case it was obvious that the complainants could not have lawfully used their patent on the streets of the city of Elizabeth without the consent of that defendant municipality; any more than Mr. Sayles could have used his patent on the road of the Lake Shore Company without the consent of that defendant corporation. In the Nicholson Pavement case the Supreme Court passed formally upon the merits of this defence, saying: "There is nothing in this state of things which entitles the appellants, after making large profits from the use of the invention, to refuse to respond therefor."

Mr. Payson says on the ninth page of his brief, that: "The plaintiff here has waited nearly six years after the expiration of the patent before bringing suit, and a much longer time than that since knowledge of the infringement." To give that statement apparent materiality to the discussion, he cites the language of the Supreme Court in the trade-mark case of McLean *vs.* Fleming, 96 U. S. 257, (1879), where Justice CLIFFORD said that: "Cases frequently arise where a court of equity will refuse the prayer of the complainant for an account of gains and profits, on the ground of delay in asserting his right." In this way the defendant attempts to invoke the doctrine of laches. My reply to that attempt is twofold. First: No such point was made by the demurrer in the court below; and Second: The doctrine has no application to the facts set forth in the bill.

When Mr. Payson filed his demurrer to our former bill, against the defendant at bar, the tenth cause which he assigned was as follows: "That as to said original term of said patent, and as to the whole, or a great part of said extended term, the claim of the plaintiff is stale, and so far is unjust and unequitable." We have seen that the demurrer was overruled as to all the causes assigned, save the third and seventh; and Mr. Payson seems to have acquiesced in that decision as to the tenth, for it is not among those assigned in the demurrer at bar. The decision of that demurrer, in the court below, was made without argument, and was purely *pro forma*; so that no cause of demurrer was assigned *ore tenus*. Even if, however, the

defence of laches could be raised at this stage of the case, the facts stated in the bill would not warrant it.

One statement of the bill is as follows: "And your orator further shows that in an action in equity in this court, brought by your orator against the Chicago and Northwestern Railroad Company, in the year 1861, for infringement of the said Tanner patent, a final decree was entered December 22d, 1873, after a very thorough and stubbornly contested litigation of nearly twelve years, in which decree it was, among other things, ordered and adjudged as follows; 'That the letters-patent on which this suit is brought, granted on the sixth day of July, A. D. eighteen hundred and fifty-two, to Henry Tanner, as the assignee of Asahel G. Bachelder and Lafayette F. Thompson, for an improvement in railway car brakes, are good and valid.' And your orator further shows that the said action was prosecuted and defended as a test case; and that, as such, this defendant contributed pecuniary aid to said defence, and was represented by counsel therein." See Record, side page 7.

The records and reports of the Supreme Court show that the test case was taken by the defendant to that tribunal, but not decided there till November 18, 1878. The bill at bar was filed just three weeks after that decision was read. It is apparent from this state of facts that there was no improper delay in filing this bill. To have vexed every infringer with a suit, during the time of the test litigation, would have been to merit the discountenance of the courts, instead of to deserve their approbation. To wait till the Supreme Court had an opportunity to pass upon the validity of his patent, before suing infringers in general, was the proper and honorable thing for Mr. Sayles to do. It was the thing which he did; and no abandonment can be predicated upon so doing. "Lapse of time is only permitted in equity to defeat an acknowledged right, on the ground of affording evidence of a presumption that the right was abandoned. It, therefore, never prevails, when that presumption is outweighed by opposing facts and circumstances." Nelson *vs.* Carrington, 4 Munford, (Va.) 343, (1813). The facts of this case not only outweigh, but they violently negative any such presumption.

There is a marked want of harmony between Mr. Payson and his only judicial endorser, Judge HUGHES, on the subject of constructive trusts. Both make *ex cathedra* deliverances of their own, in that branch of equity jurisprudence. The analogy however goes no further. Mr. Payson says: "There is no such thing known to the law as a trust arising out of a simple tort to personal property without any privity between the parties." Judge HUGHES says: "It is only in respect to property already subject to a trust and stamped with the fiduciary character, that a person can become a trustee *de son tort*." If either of these doctrines were true, it would be fatal to the other. We have already seen, however, that neither of them can stand in the light of the ancient English cases, or the relevant American authorities.

Every material part of Mr. Payson's brief on this subject has now been reviewed. It contains no claim that the rule for which he contends would be either just to suitors, or convenient for suitors or for courts. I believe his arguments are wholly invalid, and am certain that they are wholly technical.

In my former brief in this case, I stated the complainant's hypothesis on the subject of the jurisdiction of equity, and assembled as many authorities and reasons as I thought necessary to support it. In this brief I have, to the best of my ability, ascertained and stated all the premises of the problem. The conclusion is obvious: and nothing now is left us but to wonder how it can be denied by any lover of justice, or doubted by any student of equity.

THE NATIONAL STATUTE OF LIMITATION.

In the year 1870 Congress revised, consolidated and enlarged the statutes relating to patents. The new Act superceded all former statutes on the subject; and was approved by the President July 8, 1870. Section 55 related to remedies for infringements; and provided that: "All actions shall be brought during the term for which the letters-patent shall be granted or extended, or within six years after the expiration thereof." That enactment continued to be in full force until the passage of the

Revised Statutes June 22, 1874. It was however omitted from that book, and by operation of Section 5596, was therefore repealed as to all rights of action thereafter to accrue: but by virtue of Section 5599 it was left in full force as to all *choses* in existence at the date of the repeal. The limitation, therefore, has the same application to the bill at bar which it would have if inserted in the Revised Statutes. Being based on a constructive and not on an express trust, our suit is also as open to the operation of this statute, as if it were an action at law, instead of a bill in equity. Inasmuch, however, as the bill was filed within six years after the expiration of the extended term of our patent, it is conceded not to be barred as to that term. Whether it is barred as to the first term of the patent, depends upon the meaning of the statute. Let us, therefore, analyze the language used by Congress, and thus ascertain what was enacted.

The statute consists of three parts. The first, viz: "All actions shall be brought" and the third, to wit: "or within six years after the expiration thereof," are surely free from ambiguity. If there is any ambiguity in the statute, it is in the middle part, viz: "during the term for which the letters-patent shall be granted or extended." The business in hand therefore, is really confined to ascertaining the meaning of that phrase. It is either an elliptical phrase, or it is not elliptical. Let us assume first that it is so, and then try the result of the assumption; and afterward let us assume that it is not so, and then try the result of that assumption. If both hypotheses lead to the same meaning, we may be sure that meaning is the true one. If they lead to different meanings, we shall then have to select the true one by additional tests.

If the phrase is elliptical, at what point is the ellipsis? To ascertain that point, let us try how far we can read the phrase, and still convey, beyond question, a fully expressed idea. "During the term for which the letters-patent shall be granted," conveys such an idea. The next word, "or," naturally follows that complete idea, and precedes whatever else is expressed or implied in the phrase. Only one other word is expressed, and

it brings the phrase to a rounded and complete end. If, therefore, there is any ellipsis, it must be between the word "or" and the word "extended." Assuming such an ellipsis, it can be supplied as follows, and, I think, *only* as follows: "during the term for which the letters-patent shall be granted or *during the term for which the letters-patent shall be* extended," the words supplied being in italics. Assuming, therefore, that the phrase is an elliptical one; when fully expressed, it would read just as indicated above; and the whole statute would read as follows: "All actions shall be brought during the term for which the letters-patent shall be granted, or during the term for which the letters-patent shall extended, or within six years after the expiration thereof." We see, therefore, that the elliptical hypothesis leads to the conclusion that Mr. Sayles had three periods of time in which to sue for any infringement of his patent.

If the phrase we are examining, is not elliptical, but is nevertheless ambiguous, then the best way to clearly express its meaning, is to substitute for it, some other similar phrase the meaning of which is undoubted. If there is only one similar phrase, capable of making good sense when so substituted, that is doubtless the proper phrase to substitute. If there are several such phrases then we must select the proper one from among them by means of the best tests at hand. For my part I know of but one. It is substantially as follows: "during the term of the monopoly." It seems to contain all the meaning of the phrase "during the term for which the letters-patent shall be granted or extended," and seems to contain no meaning foreign to that phrase. If this is so, then it is a proper substitute for that phrase. When so substituted the statute will read: "All actions shall be brought during the term of the monopoly, or within six years after the expiration thereof." We see therefore that the non-elliptical hypothesis, also leads to the conclusion that Mr. Sayles had six years after the expiration of both terms of his patent, in which to sue for infringement committed during either term.

Any one can escape from the conclusions of the last two paragraphs respectively, who can show that phrases substantial-

ly different from those I have suggested, should be used where I have used those; but I think that until that is shown, those conclusions will stand.

The non-elliptical hypothesis, and the conclusion which flows from it, are corroborated by another section of the Act. Section 66 expressly provides that when extended, a patent "shall have the same effect in law as though it had been originally granted for twenty-one years." Such also was the law, at the time the patent at bar was extended. At the same moment of time in which Congress enacted this limitation, it also enacted that an extended patent shall be regarded in law, as one continuous monopoly of twenty-one years. It follows that it regarded the "term for which the letters-patent shall be granted or extended," as such a single continuous monopoly; and that when using the language just quoted from the statute, it had such a single continuous monopoly in mind.

It seems from the foregoing, that whether we confine our scrutiny to the words of the limitation, or take also into consideration the collateral light shed by section 66, we are alike carried to the conclusion that the statute bars no part of the bill.

In his brief, Mr. Payson makes little or no attempt to show that the words of the statute really call for his construction of them. His argument is designed to show that "all reasons of right and equity are in favor of it." If, however, the statute clearly means what I have indicated, it is beyond the function of courts to reverse that meaning, even to secure such admirable ends as right and equity. It is for the legislature to decide what enactments are right, and for the courts to decide what enactments exist. If Mr. Payson and myself were before a committee of Congress, urging that our respective views of the statute of 1870 be enacted into a new statute, then his present argument would be pertinent, and would not be without some weight. It would, however, I think, be outweighed by other arguments, which tend to show that "right and equity" would really be better taken care of on my plan than on his.

Statutes of limitation were never designed to enable debtors to avoid paying their debts. Their purpose is to induce creditors to sue with such a degree of promptness as the circumstances of

particular cases admit; to the end that debtors may not be sued on false claims after the means of proving them false shall have been lost. This is a worthy end, and therefore it is right to compel creditors, if they sue at all, to sue within a reasonable time. What constitutes a reasonable time, in which to sue on one right of action, may be unreasonably long for another, and unreasonably short for a third. In my own state of Connecticut, for example, some personal actions must be brought within six months after the right accrued; and others need only to be brought within seventeen years after that time. Rights of action for infringements of patents deserve a much longer limitation than any other rights of action whatever. This statement may seem startling, but it will bear examination.

Some patents are of such a nature that they may be simultaneously and secretly infringed in every state, and indeed in every city. To say that a right of action for the secret infringement of a patent in a distant place, ought to be barred as soon as one based on the open, adverse and public possession of land, is to say an unreasonable thing. It takes a long time to discover secret infringements. The law forbids the patentee to enter the infringer's premises for investigation, until after he has secured *prima facie* evidence of the fact which investigation may alone disclose. To enact and enforce an ordinary limitation in such a case, is to say to such infringers: If you can only keep your own counsel a few years in regard to your piracy, the statute of limitation will come to your aid, and allow you to permanently keep the fruits of your wrong-doing.

Other patents are infringed very widely, though publicly, and by such powerful and numerous infringers that it is wholly impossible for the patentees to bring and prosecute suits against them all, at any early period. Indeed such suits are regarded by courts as vexatious, until the validity of the patent has been passed upon in a test case, which test case may last for twenty, and frequently does last for ten years, before it is ended. An ordinary limitation would say to such infringers: If you can combine to long delay the test case by means of numerous false defences of want of novelty, newly "discovered" by you,

in one after another of the states of the Union, the statute of limitation shall soon do for you, what defences on the merits could not accomplish. The very case at bar demonstrates the correctness of what I advance. Mr. Sayles' test suit was brought more than three years before the infringement at bar is stated in the bill to have begun; but it was not ended till more than five years after that infringement ceased with the expiration of the patent. If Congress had enacted a statute of limitations which obliged Mr. Sayles to bring all his suits before the end of that test case, it would, in so doing, have made that limitation shorter than the circumstances of his patent admit; shorter than is consistent with convenience, or consistent with justice.

It is true, as the counsel says, that in some cases one person owns the first, and another the extended term of a patent. It is far oftener true that the whole term of twenty-one years is divided between two or more persons on other lines of time, those lines being determined by the date or dates whereon the invention was assigned. Manifestly these facts are both irrelevant to our present inquiry.

To aid his argument, Mr. Payson constantly assumes that the controversy is between a 20 year and a 27 year construction of the statute, whereas, in fact, the portion of the right he seeks to bar, *began* to accrue less than fourteen years before the bill was filed, to wit: Jan. 1, 1865. The appellant's construction gives twenty-seven years in which to sue, on such infringements *only*, as were committed the very first day after a patent is granted. Such infringements are so rare, that they constitute nothing more than cases of that exceptional character, by which the law declines to be governed.

If the foregoing argument has been fully successful, it has convinced the court that the National limitation does not bar our rights under either term of our patent. In that case nothing more need be said or read on the subject.

If, however, the court is not fully convinced that our view is the only admissible one; it surely cannot doubt that it is a reasonable one. Whoever shows it to be really unsound, must

exert powers of analysis far more acute than the average lawyer can use, or the average layman can understand, Will the Supreme Court cut off rights of property by constructing a statute of limitation in a way so unexpected, and by means of arguments which yet remain to be conceived?

Mr. Sayles never could learn from the language of that statute, that his rights under the first term of his patent would be barred a year before, instead of six years after the expiration of the extended term. That statute gave him no clear notice to that effect, but rather the contrary. If now his executor were to be informed by the Supreme Court, that such is the technical meaning of the statute; he would doubtless inquire what citizen was acute enough to have detected the trap which Congress concealed between the lines of its enactment.

American courts of last resort have uniformly construed ambiguous statements of limitation, in favor of the right sought to be barred. Nor are those decisions confined to former times: times when to plead a statute of limitations was considered disreputable.

As late as 1875 it was said by the Supreme Court of Michigan, in Ludwig *vs.* Stewart, 32 Mich., 28, that: "As the effect of limitation laws is to fix a reasonable time within which a party is to bring his suit in order to establish his claim, and on his failure to do so, forever afterward to bar him of all rights in the premises, it becomes of the utmost importance that such statutes fix the time with *certainty* within which the action shall be brought. Parties should not be left in doubt and uncertainty in this respect."

The Supreme Court of Illinois said in Bedell *vs.* Janney, 9 Illinois, 208, (1847), that: "The doctrine is well established in construction of statutes of limitation, that cases not within the *words* of the statute are not barred. Nor is the doctrine at war with that so frequently held in the books, that the statute is to be liberally expounded. That liberality of exposition is found, not in extending the statute to cases not *clearly* within it provisons, but in refusing to withdraw from its operation such as it manifestly does embrace."

The Supreme Court in Tennessee held in Elder *vs.* Bradley, 2 Sneed, 253, (1854), that: "A statute of limitation is a hard and rigorous rule, which from motives of policy, the legislature has thought proper to declare, and while it is of course the duty of courts to enforce it, it is not their duty to give it that construction, which will be most to the prejudice of those whose remedies and rights are to be forfeited by it; *but in favor of the right which in all such cases is in peril.*"

THE STATE STATUTE OF LIMITATION.

If the court decides against the appellee's construction of the National statute of limitation, then the appellee's counsel insists that the part of our right of action which accrued from January 1, 1865, up to July 7, 1865, is barred by the five year statute of limitation of the State of Illinois: his position being, that in the absence of any Federal enactment on the subject, State statutes of limitation, though confessedly inapplicable by reason of any *inherent* force, do apply to patent suits by virtue of the 34th Section of the Judiciary Act of 1789. The appellee's counsel admits that the moment Congress enacted the National statute (July 8, 1870,) the State statute ceased to have any application, save as to such rights of action as were old enough to have been fully barred by it, if they had been sued upon, and if it had been pleaded. The appellee, therefore, sets up the State statute as to that part of the infringement which was committed more than five years before July 8, 1870, which was the day when Congress otherwise provided, as contemplated by the Judiciary Act. The appellant's position is here a two-fold one.

First. State statutes of limitation have no application to patent suits, even in the absence of any National limitation.

Second. Even if, in the absence of any Federal provision, State statutes do apply to such suits: then we insist that the National statue which is now in full force as to our suit, ousts the operation of the State statute, not only as to that part of our right of action which accrued after the National statute was

enacted, and not only as to that part which accrued less than five years before the latter date, but also as to that small part which accrued *more* than five years before that time. Let us now examine these two questions in their order.

FIRST QUESTION.—This exact question was decided by Mr. Justice GRIER, against the applicability of a State limitation, in Parker *vs.* Hallock, Pittsburg Gazette of May 22, 1857. Mr. S. S. Fisher was of counsel in this case, and he vouches, in 2 Fisher, 543, for the substantial accuracy of the report in the Gazette, which was as follows: "In this case the defendant's counsel insisted that the plaintiff was barred by the Statute of limitations; but Judge GRIER held that, as no Act of Congress had been passed to meet the case, and the law of Pennsylvania did not apply to it, there was no statute limiting the time in which a suit might be brought for the infringement of a patent right."

At the time this decision was made, Pennsylvania had a statute of limitations substantially identical with the Illinois statute pleaded by the appellee, save that the period was six years instead of five. It formed a part of Section 1, of the Act of March 27, 1713; and is now to be found in Section 18 of Title, Limitations of Actions in Vol. 2 of Brightley's Purdon's Digist of the Laws of Pennsylvania.

Justice SWAYNE, in Collins *vs.* Peebles, 2 Fisher, 541 (1865), held: "That as the State statute could not limit the time within which actions for the in fringement of letters-patent might be brought in the courts of the United States: that Congress having failed to legislate upon this subject, there was no limit to the time for bringing such actions."

Judge MCDONALD, in Read *vs.* Miller, 3 Fisher, 313 (1867), rendered an elaborate opinion to the same effect saying: "The presumption ought not to be indulged that, Sec. 34 of the Judiciary Act could have been intended to authorize State Legislatures to pass statutes of limitation on subjects over which the States have no control."

Judge SHEPLEY in Anthony *vs.* Carroll, 9 O. G., 200,(1875), also held that the 34th Section of the Judiciary Act was inten-

ded to adopt the State statutes of limitation in those cases *only* in which State and Federal courts have concurrent jurisdiction, and not in patent cases, which are cognizable only in Federal courts.

Justice BRADLEY, also, in the heretofore cited case of Vaughan *vs.* South and North Alabama Railroad Company, overruled a demurrer based on the alleged applicability of an Alabama statute of limitation to a patent suit.

Justice HARLAN, also, in the former case of Mr. Sayles against the defendant at bar, held that the weight of authority was so clearly in favor of the non-applicability of State limitations to such suits, that he had no choice but to follow it.

Three Federal judges: MCLEAN, LEAVITT and HALL have decided the question the other way in the respective cases of Parker *vs.* Hall, 2 Fisher, 62, (1857), Parker *vs.* Hawk, 2 Fisher, 58, (1857) and Rich *vs.* Ricketts, 7 Blatchford, 230, (1870). Justice MCLEAN rendered no opinion; and his decision was not followed by his successor, Justice SWAYNE.

Two-thirds of the Federal Judges who have passed upon this question, including four Justices of the Supreme Court, have advised us that State statutes of limitation have no application to patent suits. We are therefore justified in believing that such suits are at least not *clearly* within the provisions of such statutes. The Supreme Court of Illinois has told us in Hazell *vs.* Shelby, 11 Illinois, 10, (1849,) that: "It is a familiar principle that a statute of limitations shall not be applied to cases not *clearly* within its provisions." This "familiar principle" must therefore be violated if the Illinois statute of limitation is to be applied to the case at bar.

When a statute of limitation is set up, it is the business of the defendant to show that the case clearly comes within it; and it is not the duty of the plaintiff to assume the burden of showing that the case is clearly outside of the statute. That, however, is a burden from which the complainant in the case at bar needs not to shrink; though he claims that if he could not support it by absolute demonstration, he would still be entitled to a decision in his favor, on the ground that he needed not to have undertaken the task.

The National Constitution provides that "The Congress shall have power to promote the progress of science and useful arts, by securing for limited times, to authors and inventors the exclusive right to their respective writings and discoveries." Chief Justice MARSHALL, in delivering the opinion of the Supreme Court, in the case of McCulloch *vs.* The State of Maryland, 4 Wheaton, on page 436, (1819,) held that "The States have no power, by taxation or otherwise, to retard, impede, burden, or in any manner control the operations of the constitutional laws enacted by Congress, to carry into execution the powers vested in the general government." Congress has enacted certain laws, providing in detail the manner in which patent rights may be vindicated and enforced, by actions in the Federal Courts. For a State to attempt to apply its statute of limitation to such suits, would be to attempt to "control the operation" of those Federal laws in a very peremptory manner. It would be nothing less than the attempted establishment of a point of time, unknown to the Federal law, beyond which the State would allow the latter no operation whatever. It is therefore very certain, that no State statute of limitation can, by virtue of State authority, bar an action under a patent. If State limitations can apply at all to such suits, it must be by virtue of Congressional legislation. The only Federal enactment that is claimed to provide for the enforcement, in such cases, of a State limitation, is Sec. 721 of the Revised Statutes, which is nearly a literal transcript of Sec. 34 of the Judiciary Act of 1789, and which is as follows: "The laws of the several States, except where the Constitution, treaties, or statutes of the United States otherwise require or provide, shall be regarded as rules of decision in trials at common law, in the courts of the United States, in cases where they apply." That this law of Congress does not provide for the application of a State statute of limitation to the case at bar, which is an action arising wholly under a United States law, is a proposition deducible from the decision of this Court, in the case of The United States *vs.* Reid, 12 Howard, 363 (1851.) Chief Justice TANEY in delivering the opinion of the court said that: "The section above quoted [referring to Sec, 34 of the

Judiciary Act] was merely intended to confer on the Courts of the United States, the jurisdiction necessary to enable them to administer the laws of the States." This distinction is seen at once to be very important, when it is remembered that the National Courts have two entirely distinct kinds of jurisdiction. They exclusively administer the laws of Congress; and, concurrently with the State Courts, they administer the laws of the States, in all cases wherein the parties happen to be citizens of different States. In the second department of jurisdiction, it is all important to an even and stable jurisprudence, that the National Courts should conform to that of the respective State Courts. When administering the laws of Congress, however, this evenness and stability would be defeated by such a plan, because in those cases, uniformity is to be obtained by making all the Federal Courts in the different States agree together, and discord instead of harmony would result, if the National Court in each of thirty-eight States should endeavor to make the jurisdiction common to them all, and wholly alien to the States, conform to the great diversity of laws in the latter.

Unless some of its links are unsound, this chain of argument seems to amount to a demonstration. If there is an unsound link, it must be in one of the Supreme Court decisions: in the opinion of Chief Justice MARSHALL, or in that of Chief Justice TANEY. The former, at least, can not be questioned a moment. Mr. Payson, however, claims that the latter was "overruled" by the Supreme Court, in 1862, in three cases which he cites. Turning to those cases we find that the Reid case was not mentioned in either of them. It therefore was not overruled, but was merely disregarded. Now it may have been disregarded because it was thought to be unsound; or it may have been disregarded because it was thought to be irrelevant. The latter is the more reasonable supposition, because all those cases were different from the Reid case, and because all three of the decisions were primarily based, by the justices who delivered the opinions, upon the case of McNeil *vs.* Holbrook, 12 Peters, 84, (1838,) in which case the opinion was delivered by Chief Justice TANEY, who also delivered the

opinion in the Reid case. Now I submit that Chief Justice TANEY was not such a jurist as to decide the same plain point both ways and never discover the difference. His decision in McNeil *vs.* Holbrook, and the three cases cited by Mr. Payson, all of which rest upon McNeil *vs.* Holbrook, must be accounted for on some other theory than that of intended contradiction of the doctrine in the case of the United States *vs.* Reid. In that case, Reid and Clements were jointly indicted for murder, committed on board an American ship, while on the high seas. They were separately tried in the United States Circuit Court in the Eastern District of Virginia; and upon the trial of Reid, he proposed to call Clements as a witness on his behalf. The Virginia statute expressly allowed this, The court rejected the testimony and Reid was convicted. He moved for a new trial on the ground that the 34th section of the Judiciary Act operated to adopt the State statute. On that question the judges below were divided in opinion, and the case went to the Supreme Court, on a certificate of division. In that tribunal it was decided that the testimony of Clements was not admissible. This decision was not based on the ground that the case was a criminal one. It was put by the court, on the fact that the offence was an offence against the *United States*; and that therefore the statute of Virginia was not the law by which the admissibility of Clements as a witness ought to have been decided. It is impossible therefore for me to understand how the Supreme Court can apply the statute of Illinois to our suit, without deciding for the first time, that the doctrine and decision in the Reid case was wrong—without confessing that it illegally caused Reid to be hung.

SECOND QUESTION.—Our alternative but very unnecessary contention, is that even if, in the absence of a National statute of limitation, the State statute would apply to a patent suit, the operation of the State statute is *wholly* ousted by the National statute of July 8, 1870. This particular view has been held on the circuit in the case of Sayles *vs.* The Oregon Central Railway Company, 11 Legal News, 383, (1879). The writer of this brief was counsel for the plaintiff in that case; but

it was suddenly argued by local counsel without any assistance, and he seems not to have cited the published decisions of Judges GRIER, SWAYNE, SHEPLEY, and MCDONALD, above referred to, which are totally discordant with Judge DEADY's *dicta*, that "Under the 34th section of the Judiciary Act it has been uniformly held that where congress has not otherwise specially provided, the State Statute of limitation applies to actions in the National Courts." The question involved in this, our alternative argument, has indeed been decided in our favor by the Supreme Court. In the case of Patterson *vs.* Gaines, 6 Howard, 601 (1846), the court said: "Of the statute of limitations' we will only say that *the statute in force when the suit is brought determines the right of the party to sue for a claim*, and that the time under that in force when this suit was commenced had not expired." Our suit was brought Dec. 9, 1878, five years and five months after our patent expired. The statute of limitation in force, as to our suit, at that time, was the National statute in the following words: "All actions shall be brought during the term for which the letters-patent shall be granted or extended, or within six years after the expiration thereof." That is the statute which, in the language of this court, determines our right to sue, and the time limited in that statute had not expired when this suit was commenced. Mr. Payson meets the decision of the court in Patterson *vs.* Gaines, by citing a note in a text book. On turning to that note, I find that it is supported by some Arkansas, Mississippi, Oregon, and other State decisions, but by no English or United States case. The judges who delivered those decisions, as well as the learned counsel, assume that a given right of action is barred the moment the time fixed in the statute of limitation applicable thereto has expired. Such, however, is not the case. No statute of limitation ever bars any right of action until the right is sued upon and the statute is *pleaded*. If the defendant omits to plead the statute, the court will ignore it. In the case of Patterson *vs.* Gaines, it appears that a repealed statute was pleaded. That the right of action was old enough to have been barred by that statute, if the statute had been pleaded before its repeal, cannot

positively be learned from the report in 6 Howard. The contrary is, however, highly improbable, because counsel for the respondent were much too good lawyers to do so frivolous a thing as to plead a statute which had been repealed before the time limited therein had expired. If, therefore, I am right in supposing that the statute pleaded in that case had, before its repeal, run its full length of time against Mrs. Gaines' right of action, then the decision of the court that it was no bar to her suit is exactly in point on the question now under discussion. In any event, however, the language of the court in that decision is altogether too broad not to cover such a case as the one at bar.

Some critic may say, in answer to the foregoing aguments on the National and State statutes of limitation, that they make out much too strong a case to be consistent with the public policy: that they explain away all limitation, and therefore must be somewhere unsound. To such a suggestion I would say in reply that as to all rights of action which arose before the Revision, the National statute of limitation is in full force; and that as to rights of action which arose since that time, Congress will no doubt provide a proper limitation as soon as in its judgment any limitation becomes proper. Congress has indeed already had the subject under deliberate consideration. A bill, the first section of which was a statute of limitation expressly applicable to patent suits, and to them only, was introduced into the Senate by Mr. Wadleigh, November 14, 1877; and was thereupon referred to the Committee on Patents. The next year it was reported back to the Senate, and on December 11, 1878, it was considered as in Committee of the Whole, amended, and ordered to be printed as amended. Early in 1879 it passed the Senate. The House of Representatives, however, rejected it; though Mr. Payson himself made an elaborate argument in its favor before the House Committee on Patents. (See page 360 of the book entitled "Arguments before the Committee on Patents of the Senate and House of Representatives," printed by order of Congress at the Government printing office in

1878). Nor can it be said that Congress omitted to legislate on the subject because it believed the matter to be covered by the State statutes of limitation. On the contrary, the committees of both houses were told by eminent counsel that such was not thought to be the case. Mr. Chauncey Smith said in his argument before the Senate Committee (Ibid, p. 25,) that: "There has been some conflict of decisions in the courts as to whether the statutes of the several States in relation to limitations of actions generally, would apply to the actions for the infringement of a patent; most of the decisions, I think, however, have been adverse to the application of these laws." Mr. Payson himself said in his argument before the House Committee, that: "Whether the State statute of limitations have any application to patent suits may be questioned; but whether they apply or not, it is far better for all concerned that there should be but one statute common throughout the length and breadth of the land." Both these gentlemen urged Congress to pass a limitation which provided that no profits or damages in any suit, at law or in equity, for the infringement of a patent, shall be recovered, which shall have occurred more than four years next preceding the commencement of such suit. Mr. Hyde stated to the House Committee, (Ibid p. 303) that an association of "users" of patents had instructed him to urge Congress to make the limitation one year, and he enforced that request by showing that if granted, those "users" would be thereby protected from suits under certain classes of patents. Mr. Hubbell on the other hand said (Ibid p. 159) "You cannot reconcile any principle of limitation with the terms of the grant, unless the limitation begins, as it would under the law of 1870, with the expiration of the patent. The law of 1870 proceeded upon the correct basis, that the statute of limitation should not run during the term of the patent, but should commence to run at the expiration of it." Mr. Storrow, when speaking of the subject before the Senate Committee, called attention to the peculiar circumstances of rights of action under patents. He said (Ibid p. 138) that "If I have a piece of land, or a thousand bales of cotton, or a contract for the payment of money, I know

where it is and I can watch it; I know when my rights are invaded; but if I have a patent right it is situated, so to speak, in every village in the United States. I cannot watch it everywhere. An infringement may go on for years before I can know of it."

Thus the existing state of the law was brought to the attention of Congress; together with arguments for and against a new statute. The conclusion of Congress was against the proposed legislation; and so decisively against it, that no attempt has since been made by anybody to secure the passage of such a bill.

Convinced alike of the entire justice and technical correctness of their cause; the executor now commits the interests of the heirs to the decision of the Court.

ALBERT H. WALKER, Counsel.

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United States Supreme Court,

October Term, A. D. 1881.

THOMAS SAYLES, *Appellant*,
vs.
LAKE SHORE & MICHIGAN SOUTHERN RAILWAY COMPANY, *Appellee*.

No. 176.

BRIEF FOR APPELLEE,

BY

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CHICAGO:
MRS. M. G. LAMPKINS, 171 DEARBORN STREET.
1881.

Supreme Court of the United States.

OCTOBER TERM, A.D. 1881.

THOMAS SAYLES,
Appellant.

vs.

THE LAKE SHORE & MICHIGAN SOUTHERN RAILWAY COMPANY,
Appellee.

BRIEF FOR APPELLEE.

I.

THE JURISDICTION.

Has a court of equity jurisdiction of a suit for infringement after the expiration of the patent?

We insist that it has not. The patent having expired, there can be no injunction. But the right to an injunction is the sole basis of equity jurisdiction in patent suits; and where the right to an injunction fails, the right to all other relief fails with it. Whatever relief may be granted is incident to, that is, dependent upon, the injunction. The court having thus obtained jurisdiction for the purpose of the injunction, retains it for all other purposes.

This question, though important, ought not to be difficult. It depends on the most familiar principles. If it were not for the glamour the very word "patent" casts over every subject connected with it, the question would not bear discussion. Yet it is not peculiarly a patent question, nor is it to be determined on reasoning peculiar to patent law; but, like any other question of a similar character not arising in a patent

case, on those broad universal principles which underlie the whole of our equity jurisprudence.

Freed from the obscurity that thus invests it, no doubt or difficulty remains. I am perfectly safe in saying that not a member of this court would entertain such a bill as this as to any other kind of personal property. And if any reason exists for making a distinction between other kinds of personal property and the property in a patent, no one has yet been found to suggest it.

This is no new doctrine; on the contrary, it is the old established rule, so well settled, in fact, that for many years no one thought of gainsaying it. The *prima facie* case, therefore, is in favor of appellee. The burden of proof is upon the appellant. He comes here as an innovator; he is seeking to introduce a new and, until a few years ago, an unheard-of doctrine. If the change is a proper and lawful one, if it is such a change as the court thinks ought to be made, and such as the court has the right and authority to make, that, of course, ends the matter. In that case all we can ask will be that the court shall distinctly recognize the nature, extent and importance of the change, and give us the benefit of the reasoning on which such change is founded. We proceed now to make out our proposition that the jurisdiction is dependent solely on the injunction.

First. That has always been the settled law in England. The cases there are all one way. I have not been able to find a single decision to the contrary.

In Jesus College *v.* Bloom, 3 Atk. 262; 1745, a case of waste in cutting timber, Lord Hardwick held that trover was the proper remedy; that where an injunction is granted, the court, to avoid a double suit, will decree an account; that waste is a tort, and the remedy is at law.

Smith *v.* Cooke, 3 Atk. 381, is to the same effect.

In Grierson *v.* Eyre, 9 Ves. 346; 1804, it was said by Lord Eldon that "in cases of waste the account certainly goes merely on the injunction."

In Universities of Ox. & Cam. *v.* Richardson, 6 Ves. 705; 1802, a copyright case, it was held by Lord Eldon that "the suit proceeds upon a notion that the plaintiffs have a right to

restrain, which will carry along with it a right to call upon the court to enjoin, and for an account."

And in the note, p. 714, "It is now perfectly established, not only by the principal case, but by many others, that in case of waste the jurisdiction of equity to give an account is grounded merely on the obvious right to an injunction; and that, if an injunction be not prayed, an account will not be decreed."

So in Parrott *v.* Palmer, 3 Myl. & K. 640; 1834, Brougham, Ch., says: "But it may be laid down generally that, unless in the case of mines, the rule is — no injunction, no account."

So in Bailey *v.* Taylor, 1 Russ. & M. 73; 1829, a copyright case, Sir John Leach says: "The court has no jurisdiction to give a plaintiff a remedy for an alleged piracy, unless he can make out that he is entitled to the equitable interposition of this court by injunction; and in such case the court will also give him an account, that his remedy here may be complete. If this court do not interfere by injunction, then his remedy, as in the case of any other injury to his property, must be at law."

In Smith *v.* London & Southwestern Railway Co., Kay, 408; 1854, a very full case on a carriage-wheel patent, Wood, V. C., holds the rule laid down in Bailey *v.* Taylor to be the true one, and adds: "Unless that primary right to an injunction exists, this court has no jurisdiction with reference to a mere question of damages."

In Price's Pat. Candle Co. *v.* Bauwen's Co., 4 Kay & Johns. 727; 1858, it was held by the same judge that even when the patent expired, *pendente lite*, no relief whatever could be awarded. "It is an unfortunate position," the court says, "for the plaintiffs; but the misfortune arises from their delay in not filing their bill until their patent had almost expired. Whatever their rights when they applied for the injunction, if at the hearing there is nothing on which an injunction can operate, the arm of the court is stayed; and I am bound by the authorities to say that, there being nothing at the hearing, nothing to which the jurisdiction of equity can attach, the case is reduced to damages, and the bill must be out of court."

In Davenport *v.* Ryland, Law Reports, 1 Eq. Cases, 302; 1865, it was held by the same judge that, *after Cairne's Act*,

the court might award damages in such a case, on the ground that the court had jurisdiction to grant the injunction when the suit was commenced.

In Durrell *v.* Pritchard, 35 Law Jour., pt. 1, 226; 1865, a bill to protect ancient lights, it was held, by Lord Justices Turner and Knight Bruce, that suits could not be instituted for damages in that court when the injunction was refused.

In Calcraft *v.* Thompson, 35 Beav. 561, 1866, a similar decision was rendered by Lord Romilly.

In Betts *v.* Gallais, Law Rep. 10 Eq. Cas. 392, 1870, it was held by V. C. James, that the court will not entertain a bill for damages merely, when filed so shortly before the expiration of the patent as to render it impossible to have had an interlocutory injunction; and that the bill was a mere device to transfer a plain jurisdiction to award damages from the court to which it properly belonged, to the court of chancery.

"The right to an account of profits, in respect of articles made or sold in violation of a patent, is incident to the right to an injunction to restrain future infringements. There can be no account if the case for an injunction fails." Kerr on Injunctions, 435; Hindmarsh on Patents, 361.

"Formerly the Court of Chancery had in no case power to award damages; but now, *whenever it has jurisdiction to entertain an application for an injunction* against a breach of any covenant, contract, or agreement, or against the commission or continuance of any wrongful act, or for the specific performance of any covenant, contract or agreement, the court may, if it think fit, award damages to the party injured, either in addition to, or in substitution for, such injunction or specific performance, and such damages may be assessed in such manner as the court shall direct."

"These provisions, however, do not extend the jurisdiction of the court; and damages will not, therefore, be given in cases where previously to the act the court would not have ordered an injunction, or decreed specific performance."

Dan. Ch., ch. xxvii, § 1, p. 1080.

Second. The English Parliament, well knowing that this was the rule as laid down by their courts, in 1858 passed the act of 22d Vic., commonly known as Cairne's Act, the sub-

stance of which is found in the above quotation from Daniels, in which they authorized the court, *whenever it had jurisdiction to entertain an application for an injunction*, to award damages, either in addition to, or in substitution for, such injunction; thus expressly approving the old rule.

Third. It is well settled that the equity jurisdiction of the Federal courts "is the same in nature and extent as the jurisdiction in England, whence it is derived."

Allen *v.* Blunt, 1 Blatch. 480; Nelson, J.
Robinson *v.* Campbell, 3 Wheat. 223.
Barber *v.* Barber, 21 How. 592.
Goodyear *v.* Prov. Rubber Co., 2 Fisher, 508.

And in Brooks *v.* Bicknell, 3 McLean, 263, it was expressly held that the "rule applicable in England to suits for waste, and on patents, is as applicable here as any other rule."

"The policy in both governments is the same in granting the right and in fixing its limits." Shaw *v.* Cooper, 7 Pet. 319.

Fourth. In accordance with this rule our courts have often decided that the equity jurisdiction depends solely on the right to an injunction.

In Allen *v.* Blunt, just cited, the court says: "The following cases will show that it is the settled practice of the English chancery, *on injunction bills* filed by the patentee, where there is no dispute about the title, to refer the case to a master to take and state an account of profits which defendant has made, instead of sending it to a court of law to assess the damages."

In Monk *v.* Harper, 3 Edw. Ch., 109, 1837, the bill was filed for a discovery, and account of sales and profits of plaintiff's book. On demurrer it was held that *as no injunction was sought*, but redress simply for a wrong already committed, the suit should have been at law. And the bill was dismissed.

In Jenkins *v.* Greenwald, 2 Fish. 41, Leavitt, J., 1857, it is said: "The statute limits the discretion of the court to the granting of injunctions, 'according to the course and principle of courts of equity,' etc. And it is insisted by counsel that, as the case before the court shows that at the time the writ of injunction issued the defendant was not in the act of infringing the complainant's exclusive right, and has denied any intention of doing so in future, there is nothing upon which the

injunction can operate, and that therefore it should be dissolved, and the bill dismissed. It is true, if there was no sufficient ground for the allowance of the injunction, and the case is to be viewed as a mere proceeding to recover compensation for an infringement of the complainant's exclusive right, there would be great force in the objection now urged to the jurisdiction of this court. *In the case supposed there would seem to be an adequate remedy at law, which would render the interposition of a court of equity improper.*"

And so in 2 Story's Eq., § 930, 933: "It is on similar principles, to prevent irreparable mischiefs, or *to suppress multiplicity of suits* and vexatious litigation, that courts of equity interfere in cases of patents and copyrights to secure the rights of the inventor, or author, and his assignees and representatives.

"In addition to this consideration, the plaintiff could at law have *no preventive remedy* which should restrain the future use of his invention, or the future publication of his work, injuriously to his title and interests; *and it is this preventive remedy which constitutes the peculiar feature of equity jurisprudence, and enables it to accomplish the great purposes of justice.* Besides, in most cases of this sort, the bill usually seeks an account in one case of the books printed, and in the other of the profits which have arisen from the use of the invention, from the persons who have pirated the same. And this account will, in all cases where the right has been already established, or is established under the direction of the court, *be decreed as incidental, in addition to the other relief by a perpetual injunction.*"

In Motte *v.* Bennett, 2 Fish. 645, 1849, Judge Wayne, quoting from Story, lays down the same rule.

In McMillan *v.* Barclay, 5 Fish. 193, 1871, Judge McKennon quotes the above decision of Judge Wayne, and makes it his own.

In Stevens *v.* Cady, 2 Curtis, 200, a copyright case, 1854, Judge Curtis says: "Relief by an account, when prayed for, *is incidental to an injunction;* Bailey *v.* Taylor, 1 R. & M. 73; and, therefore, though there is no express grant of power by any act of congress to take an account in such a case, yet, as by the act of 1819, the circuit courts have power to grant injunctions according to the course and principles of courts of

equity, to prevent the violation of the rights of any authors and inventors, I take it to be clear that an account may be decreed."

In Stevens *v.* Gladding, 17 How. 455, the supreme court says: "There is nothing in the act of 1819 which extends the equity powers of the courts to the adjudication of forfeitures; *it being manifestly intended that the jurisdiction therein conferred should be the usual and known jurisdiction exercised by courts of equity for the protection of analogous rights.*" And the court adds:

"The right to an account of profits is *incident to the right to an injunction* in copy and patent right cases. Colburn *v.* Simms, 2 Hare 554, 3 Dan., Ch. Pr. 1797."

And, finally, in Draper *v.* Hudson, 6 Fish 327, Shepley, J., 1873, the court says: "When the title to the principal relief, which is the proper subject of a suit in equity—the injunction and discovery—fails, the incident right to an account fails also. Although the jurisdiction of the circuit court in equity in patent cases rests upon statute provisions, it is to be exercised according to the course and principles of courts of equity; and the Supreme Court of the United States having decided, in Stevens *v.* Gladding, 17 Howard 455, that 'the right to an account of profits is incident to the right to an injunction in copy and patent right cases,' it would seem to follow that in a case like the present, where the title to equitable relief fails, the general rule of equity applies that the incidental relief fails also." And cites several of the English cases above cited by us.

The above, we think, must be held sufficient to fully justify the statement that it was the well established rule to rest the jurisdiction solely on the injunction, and that in the language of one of the English cases, "where there is no injunction there can be no account."

It has been said, however, and may be said again, "first, that in Stevens *v.* Gladding the court merely decided a question of pleading; and, second, that in using the words '*incident to,*' the several judges and writers above cited did not intend to rule that the account was incident *solely* to the injunction, but simply that that was *one* of the grounds on which the account might be allowed. Thus suffering is incident to an earthquake, but it is also incident to a pestilence."

But, first, in Stevens *v.* Gladding this court had to decide not only the question of pleading, but also that of the right to maintain the action.

Second. As to the English authorities there can be no question that they all rest the account solely on the injunction.

Third. As to our own courts, how happens it that they all have so much to say as to the earthquake, while not one of them ever alludes to the pestilence? What would be thought of a writer on that subject who should confine himself to a single source of human suffering, saying nothing of any other? Have we any right to charge the judges above cited, including such distinguished names as Wayne and Shepley, Curtis and Story, with this careless use of language, or with encumbering their decisions with general statements that lead to nothing? If equity in their opinion had jurisdiction in all patent cases, wholly independent of an injunction, is it conceivable that they should all, in every instance, have rested it solely on the injunction? And above all, would they, in that case, have thought it necessary to cite these English cases, which do unmistakably make the injunction the sole ground of jurisdiction?

Your Honors, then, may conclude that all these judges were mistaken, but you will not do them the injustice of finding that they did not know what they were saying, or did not mean what they said.

Finally, the uniform practice in this country, from the foundation of the government down to 1876, is entitled to great weight. During all that time I have been able to find but a single case in which the bill was filed after the expiration of the patent. Cases may indeed be found, both before and since that date, in which an account has been decreed without any injunction, and by judges entitled to the highest respect.

But in most of these cases the question was not raised; while in others the jurisdiction was upheld on grounds that even the appellant has now abandoned. In all of them we find a surprising want of harmony, which, while it does not prove absolutely that none of them can be right, yet tends strongly to that conclusion.

Some of these cases rest the jurisdiction on the *acts of congress;* others on the *discovery;* and others again on the *account;* while a few in these latter days have invented an entirely new theory, and rely solely on the doctrine of a *trust.*

AND FIRST, THE DISCOVERY.

If the above views are sound, then of course a *discovery* can never be the basis of equity jurisdiction in patent suits; but if this were ever the fact, no such claim could be sustained in the present case.

First. To give equity jurisdiction, on this ground, the bill should allege that the discovery rests in the knowledge of the defendant alone, and is susceptible of no other proof.

1 Story's Equity, § 74.
Bullock *v.* Royal, 2 A. K. Marsh. 322.
Linsley *v.* James, 3 Cold. Tenn. 477.
Marsh *v.* Davison, 9 Paige, Ch. 580.
Gloninger *v.* Hazard, 42 Penn. State R. 389.
Duval *v.* Ross, 2 Munf. 290.
Crothars *v.* Lee, 29 Ala. 337.
Brown *v.* Swann, 10 Pet. 497.
Bass *v.* Bass, 4 Hend. & Munf. 478.
Emerson *v.* Staton, 3 Mon. 117.
Carroll *v.* Farmers and Mechanics' Bank, Harring. Ch. 197.
And see Russell *v.* Clark's Ex'ors, 7 Cranch 89.

But the bill in this case contains no such allegation. It is not framed on any such theory.

Second. Even if the bill had contained such allegations it would not help the matter, for it would be impossible to maintain them. The defendant here is a corporation, and of itself knows nothing; it cannot be compelled to answer under oath, but only under its common seal. It cannot, therefore, make any satisfactory answer, nor be held liable for perjury. But, by making the proper officer party, an answer under oath may be obtained.

2 Story's Equity, § 1501.

Even in that case, however, it would be impossible to say that the discovery rested solely in the knowledge of the de-

fendant, or was susceptible of no other proof. There is not a fact in the case that cannot be proved by witnesses who may be called in a court of law. And that being so equity will refuse its aid.

1 Story's Equity, § 74; 2 Ib., §§ 690, 691; 1484.

All this is especially true since the recent enactments making parties competent witnesses in law and equity. And the same may be said as to the production of books and papers. The Federal courts have by statute full power to compel their production. The necessity for a discovery, therefore, no longer exists; nor for any other equitable relief.

Suter *v.* Mathews, 115 Mass. 253.
Riopelle *v.* Doellner, 26 Mich. 102.
Hall *v.* Joiner, 1 S. C. 186.
Gelston *v.* Hoyt, 1 Johns. Ch. 543.
See also 2 Story's Eq. § 1485.

Third. A discovery will not be allowed in any case where it will subject the defendant to a penalty, unless the bill relinquishes all claim to the penalty. And as the effect of the evidence here sought would be, not only to enable plaintiff to recover his entire damages for the infringement, but subject defendant to a penalty of three times the amount, the discovery cannot be allowed.

Northwestern Bank *v.* Nelson, 1 Grattan 108.
Shed *v.* Garfield, 5 Vt. 39.
Atwill *v.* Ferrell, 2 Blatch. 39.
Myers *v.* Callahan, Harlan, J., July, 1878, North Dist. of Ills.
Finch *v.* Rikeman, 2 Blatch. 301; Nelson and Betts, JJ., 1851; citing Story's Eq. Pl. § 675; 2 Story's Eq. § 1494; 2 Dan. Ch. pp. 625, 821.
See also Stevens *v.* Cady, 2 Curtis, 200; 1 Dan. Ch. 386, 7.

It is true the bill in this case contains no prayer for this increase of damages, nor is there any reason to suppose that such a prayer would have been granted, but that cannot affect the matter. It is not enough for a plaintiff, who is seeking a discovery, not to ask for any penalty, he must expressly waive it.

Fourth. Even if the plaintiff were entitled to the discovery, he could not on that ground alone have the relief sought in this case.

The distinction between bills of discovery and bills of discovery and relief, I am aware, is not always easy to be drawn; but there is no difficulty here.

"If a bill seek the discovery of a contract for the sale of goods and chattels, or of a wrongful conversion of goods and chattels; and the breach of contract or the conversion is properly remediable in damages, to be ascertained by a jury, the relief seems properly to belong to a court of law." 1 Story, Eq. § 72.

And the rule is generally laid down in much stricter terms. "The court having acquired cognizance of the suit for the purpose of discovery, will entertain it for relief, in most cases of fraud, account, accident and mistake."

Not in all cases even then. But if in all cases, it would not reach the present case, for here is neither fraud, account, accident, nor mistake.

SECOND, THE ACCOUNT.

The plaintiff is no more entitled to an account than he is to a discovery. The word "account," as here used, has a definite, well settled meaning. It does not mean at all such an account as is generally sought in patent cases, and least of all such as is sought in this case. Thus the only account the plaintiff can obtain from defendant is as to the length of the road, the number of cars equipped with this brake, and the length of time they have been used. This, though in one sense it may be styled an account, is as far removed as possible from the account that in a proper case may form the basis of equity jurisdiction. *An account in equity means the same as in an action of account at law.* And unless there is some other ground of jurisdiction, no bill in equity for an accounting can be maintained, except where a technical action of account would lie at law. Baker *v.* Biddle, Bald. 394; where this whole question is very fully discussed.

The account in all such cases must be *mutual*; there must be charges on both sides. If there are charges on one side only, there is no jurisdiction, unless a discovery is also prayed and

granted; in which case, it is the discovery and not the account that confers the jurisdiction.

Dinwiddie *v.* Bailey, 6 Ves. 141.
Blakely *v.* Biscoe, 1 Hemps. 114.
Pearl *v.* Nashville, 10 Yerg. 179.
Porter *v.* Spencer, 2 John. Ch. 171.
Phillips *v.* Phillips, 9 Hare 471.
Smith *v.* Marks, 2 Rand. 449.
Walker *v.* Cheever, 35 N. H. 339.
Fowle *v.* Lawrason, 5 Pet. 495.
Eden on Inj., by Waterman, 51, Note 1; 52, Note 1.
3 Blackstone's Com. 437; 1 Story's Eq. § 67–74, 458.
Willard's Eq. Jur. 87–92.

It may be suggested that the account in this case is complex, and ought therefore to be settled in equity.

But, first, this court has expressly decided that the complexity of an account is not a ground of equity jurisdiction. Hipp *v.* Babin, 19 How. 270.

And in England the courts have refused to entertain jurisdiction on this very ground, viz, that the account was too complex, and have sent the plaintiff to sue for his damages at law. Sturt *v.* Mellish, 2 Atk. 210; Betts *v.* De Vitre, 11 Jur. N. S., 9, 1864.

Second. The fact here, however, is that the account itself is of the simplest sort. The sole difficulty arises from the contradictory nature of the evidence. The witnesses in these cases are numerous, and their testimony conflicting., But there is nothing in that requiring the peculiar aid of equity. On the contrary, it affords the strongest reason why the suit should be at law. To weigh the credibility of opposing witnesses has always been considered the peculiar province of a jury. After that is done, and the correct theory of the accounting has been settled by the court, there is very little left. The account on this very patent, in Sayles *v.* the Chicago & Northwestern Railway Co., 7 Otto, 554, occupies but little more than a page. It is not half so complex as many an account on a promissory note.

THIRD, THE ACTS OF CONGRESS

May next possibly be invoked to sustain the jurisdiction.

But, first, any assumption that these acts were intended thus to extend the jurisdiction is directly contrary to the decisions of this court. Thus, in Stevens *v.* Gladding, the court say: "It was manifestly intended that the jurisdiction conferred by the act of 1819 should be the usual and known jurisdiction exercised by courts of equity for the protection of analogous rights."

In Stevens *v.* Cady, Curtis, J. expressly says that "there is no express grant of power by any act of Congress to take an account in such a case."

In Sullivan *v.* Redfield, 1 Paine, 441, it was held by Thompson, J., that the same act did not enlarge or alter the power of the court over the *subject-matter of the bill*, or *cause of action*, but only as to parties.

In Wyeth *v.* Stone, 1 Story, 273, it is throughout taken for granted that the same distinction which exists in other cases between law and equity existed to the same extent in patent cases.

In Brooks *v.* Bicknell, 3 McLean, 233, it was held that "the rule applicable in England to suits for waste and on patents is as applicable here as any other rule."

See also Lorman *v.* Clarke, 2 McLain, 570; 4 Ib. 18.
Gordon *v.* Hobart, 2 Sumner, 401; Pratt *v.* Northam, 5 Mas. 95; and Shaw *v.* Cooper, 7 Pet. 319.

Secondly. There is nothing in the acts of Congress that admits of any such construction. The act of 1819, which this court has held to have been substantially reënacted in the act of 1836, provided "*That the Circuit Courts of the United States shall have original cognizance, as well in equity as at law, of all actions, etc., arising under any law of the United States, granting or confirming to authors or inventors the exclusive right, etc.; and upon any bill in equity filed by any party aggrieved in any such cases, shall have authority to grant injunctions according to the course and principles of courts of equity*," etc.

There is nothing here to justify the notion that the distinction between law and equity was to be thereby abolished, so

that the plaintiff could in every case sue in either court, without reference to the injunction or any other equitable relief. The act, in fact, simply confers jurisdiction; it says nothing about either its nature or extent. It left that to be determined by existing rules. *The only special grant of power is to grant injunctions.*

There is another argument, however, that seems here absolutely conclusive. If the words "*all actions, as well in equity as at law,*" are to have the force ascribed to them, then the corresponding words in the judiciary act of 1789 must have the same effect, and there is no longer any distinction left between law and equity in any case, under the patent law or any other.

That act provides that "*the Circuit Courts shall have original cognizance, concurrent with the courts of the several states, of all suits of a civil nature at common law or in equity,*" etc.

These words are as broad as in the patent acts of 1819 and 1836, but no one has ever yet supposed they were intended to give suitors the right to sue in equity in any case where the right did not exist already. It was under this act that the Circuit Courts first obtained jurisdiction of patent suits; and the only change made by the act of 1819 was to do away with the requirement that the parties in equity should be citizens of different states, the same thing having been already done at law by the act of 1800.

The act of 1870 simply added to that of 1836 the power to award damages in addition to profits.

The act of 1874 divides the matter up into several sections. In Sec. 629 it gives jurisdiction "of all suits at law or in equity arising under the patent or copyright laws." In Sec. 4919 it says that "damages for infringement of any patent may be recovered by action on the case." And in Sec. 4921, "the several courts vested with jurisdiction of cases arising under the patent laws shall have power to grant injunctions," etc., as in the act of 1870. Sec. 711 makes the jurisdiction for the first time exclusive.

Finally, the act of March 3, 1875, re-enacts the judiciary act of 1879, making the jurisdiction once more concurrent.

It has been suggested in one instance that the jurisdiction may be less full under the act of 1874 than it was before; but

we do not make any such pretension. There is no difference in this respect. Under all these laws the distinction between law and equity is fully and clearly maintained. To suppose that Congress meant, by any of these acts to abrogate or modify so important and fundamental a doctrine, and to bestow upon courts of equity this new aud extraordinary jurisdiction, so repugnant as it would be to the whole theory and practice of equity, from the earliest times down to the present, is altogether impossible. If Congress had intended so startling an innovation, that intention would not have been left to be made out by implication, but clearly and expressly declared, so as to leave no room for doubt or for any difference of construction. There seems here no room for construction; but if there be, that construction must be against any such intention. The act conferring jurisdiction on courts of equity in patent cases, so far as it takes away the right of trial by jury, and so far as it affords any other relief than that by injunction, is derogatory of the common law. And all such statutes, as is well known, are to be construed strictly. To the same effect is the other maxim, that jurisdictional statutes must also be construed strictly. Both of the statutes here in question are jurisdictional, and both of them must be construed strictly, not in favor of, but against, the jurisdiction.

Russell *v.* Wheeler, Hempstead 3.

Jones *v.* Newhall, 115 Mass. 244.

And this rule is of still greater weight since the statutes making parties witnesses.

Suter *v.* Matthews, 115 Mass. 253.

Finally, if congress did intend thus to change the law, then the law is unconstitutional and void. The Judiciary Act of 1789 gave to the circuit courts original cognizance of all suits at common law or in equity under certain conditions. This was the foundation of their jurisdiction; and it was then well understood that by "suits in equity" those only were intended in which relief was sought according to the principles and practice of the equity jurisdiction as established in England.

Lorman *v.* Clarke, 2 McLain, 570; 4 Ib. 18.

Gordon *v.* Hobart, 2 Sumner, 401.

Pratt *v.* Northam, 5 Mas. 95.

And see especially Fenn *v.* Holme, 21 How. 486.

In the original Patent Act of 1790, and so in those of 1793, 1794 and 1800, no jurisdiction in equity was conferred; and whatever jurisdiction, therefore, the federal courts then had in patent cases in equity must have been derived from the Judiciary Act of 1789. The Patent Act of 1819 first provided that the circuit courts of the United States "shall have authority, upon any bill in equity filed by any party aggrieved in any such cases, to grant injunctions according to the course and principles of courts of equity, to prevent the violation of the rights of any authors or inventors," etc.

Now, as we have already seen, nothing can be clearer than that, according to the principles and practice of equity jurisdiction as established in England, the jurisdiction rested solely on the injunction. It must also be admitted that whatever the equity rule then was in England the same was the rule in this country. Consequently the defendant in a patent suit had a right to a trial by jury in all cases where no injunction was allowable. That right was assured to him by the constitution, and neither congress nor any other power could take it from him, directly or indirectly. In passing the act of 1819, congress was evidently acting on this view of the law, and fully intended to preserve this rule of equity and this right of the citizen both inviolate. The only power conferred on the courts of equity is to grant injunctions. Congress thus not only recognized, but affirmed the existing rule. If after this, say in 1836, congress had passed an act in express terms providing that thereafter the defendant in patent suits should *not* have a trial by jury, its unconstitutionality would then at least have been at once admitted. No one then had conceived the idea that our equity practice had departed so widely from the English; no one had ever suggested that there was any other ground of jurisdiction than the injunction. But congress has the same right to enact such a provision as to give courts of equity jurisdiction in all patent cases, irrespective of the injunction. The latter course would amount to the same thing, and would be all the more dangerous, because more insidious. If congress can thus change one common law suit into an equity suit, it can do the same with all others, and the right of trial by jury may thus be wholly lost.

"Any law which destroys or materially impairs the right

of trial by jury, according to the common law, in cases proper for the cognizance of a jury, is contrary to the Bill of Rights and the Constitution of Vermont. And that, though the particular right did not exist by common law, but was created by statute subsequent to the adoption of the Constitution." Plimpton *v.* Somerset, 33 Vt. 283.

To the same effect are Whitehouse *v.* Coleen, 53 Ill. 247; Trigally *v.* Memphis, 6 Cold. Tenn. 382; Thomas *v.* Bibb, 44 Ala. 721; Haines' Appeal, 73 Penn. St. 169; Hartt *v.* Harvey, 32 Barb. 55.

The danger here, however, is not so much from legislatures as from the courts. The courts, which would be prompt to check any such legislation, would be equally careful to avoid it themselves, if it came in the same shape. But these judicial changes in the law take place in such a gradual and imperceptible manner that their real character and importance are not perceived; and thus, by perpetual lapses, the boundary shifts from year till the old landmarks are wholly forgotten. No better illustration of this can be found than the case now before us. Thirty years ago no such question had or could have arisen. No one then would have thought of filing a bill in equity for the infringement of a patent, except for an injunction. The courts then constantly recurred to the principles of the English chancery; and the decisions, both in England and the United States, were uniform, that the injunction formed the sole basis of jurisdiction. The departures from that rule since then have not been, indeed, very numerous or, with one or two late exceptions, very important. In hardly one of these cases has the question received the consideration it deserved. And that rule must still be considered the law of the land, and will so remain until this court shall see fit to reverse its former decision. Enough, however, has been done to show how easy it is to make the most radical changes in the law, often without clearly perceiving either their scope or consequences; and with what jealous care these changes ought to be regarded, lest they be made without authority or on insufficient grounds.

THE FOURTH GROUND OF JURISDICTION ALLEGED IS THAT THE DEFENDANT IS A TRUSTEE.

This, as it is the latest, is also the most extraordinary. It is true that the courts have, within a few years, on several occasions, referred to the defendant as a "trustee," but this has been merely one of those legal fictions to which courts sometimes resort by way of illustration, and without any thought of thereby founding a new school of jurisprudence. For thirty years in this country, and for over a hundred in England, the courts have gone on sustaining the jurisdiction, solely on the ground of the injunction, and without any suggestion of a trust, or any perception of the want of it. Then a few years ago Judge Woodruff, in deciding the motion for a new trial (in Cowing *v.* Rumsey), happened to hit upon the word "trustee;" not, of course, as the ground of his decision, for it was a suit at law, but simply for the purpose of stating in a general way the distinction between law and equity.

In Burdell *v.* Denig, 2 Otto, 720, and Birdsall *v.* Coolidge, 3 Ib. 68, this court has since done the same thing. Both these cases were also actions at law, and of course called for no decision as to what should constitute the ground of equity jurisdiction. *Nor in fact does either of these cases decide, even in the words employed, that equity ever has jurisdiction in such cases on the theory of a trust.* And it would be alike unjust to both the distinguished judges by whom the opinions in these cases were delivered, and contrary to one of the oldest canons of the law, to claim that they had decided, or meant to decide, any such thing. It is alike unfair and unsafe to take the words of a court without reference to the facts. And it would certainly be remarkable for the Supreme Court of the United States to select an action at law as a fitting occasion for introducing so startling an innovation.

That it might well be called a startling innovation must be at once admitted when we come to examine the authorities. I have been unable, after the most diligent search, to find a single case outside of these patent cases that lends the slightest support to such a doctrine; nor has the appellant been any more successful.

There is no such thing known to the law as a trust arising out of a mere tort to personal property; that is,

without any contract, express or implied; any privity between the parties; or any intermeddling with trust property.

The cases all go on one or the other of these grounds.

In Cook *v.* Fountain, 3 Swanst. 585, the court says: "All trusts are either express, created by act of parties, or they are implied. There is one good, general and infallible rule that goes to both these kinds of trusts. It is such a general rule as never deceives, to which there is no exception; and that is, the law never implies, the court never presumes a trust, but in absolute necessity."

In Monk *v.* Harper, 3 Edw. Ch. 111, already cited, it was held that as the bill did "not show any *privity of contract or dealing* between the parties, any agreement, express or implied, by which the defendant can be held to account to the complainant for the profits of the work," there could be no account.

"When money belonging to another, where the *fiduciary relation does not exist*, is used in the purchase of property, no trust results, and the purchaser does not become a trustee." Tiffany & Bullard on Trusts, 481; citing Campbell *v.* Drake, 4 Iredell Eq. 94 N. C.; Ensby *v.* Ballantine, 4 Hump. 233, Tenn.; Pascoag Bank *v.* Hunt, 3 Edw. 583, and Bank of America *v.* Pollock, 4 Edw. 219.

In this last case the jurisdiction was sustained, but solely on the grounds that the identity of the property had been shown and traced, and that *the wrong-doer was the agent of the bank;* that is, he occupied a fiduciary relation before ever he meddled with the property.

In Campbell *v.* Drake it was sought to establish a trust in land bought by plaintiff's clerk with money he had pilfered from his employer. Held, "that *no such bill had ever been known*, that the case was not at all like those of dealings with trust funds by trustees, executors, guardians, factors and the like, in which the owner of the fund may elect to take either the money or that in which it is invested;" going clearly on the ground that there was no fiduciary relation between the parties as to investing this money.

In Perry on Trusts, § 245, heretofore cited by appellant, but now apparently abandoned, we find cited numerous cases

of constructive trusts, under which head the trust in this case, if any such exists, must of course fall. The rule as stated by the author is, as often happens, broader than his citations will warrant.

In four of these cases—Rackham *v.* Siddall, 16 Sim. 297; 1 Mac. & Gor. 607; 2 Hall & Tweil, 44; and Hope *v.* Siddall, 21 Beav. 183, the party charged as trustee—Grace Thompson—expressly assumed the position of trustee. There were trust funds with which she meddled.

In Wilson *v.* Moore, 1 Myl. & K. 146, the parties were held as trustees because they had joined in a breach of trust by an *executor*.

In Chaney *v.* Smallwood, 1 Gill, 370, defendant took possession of complainants' property while they were infants; and he was held liable to account in equity solely because they were infants. That is, he was held as guardian *de son tort*, an infant's property being always trust property.

Drury *v.* Connor, 1 H. & G. 220; Goodhue *v.* Barnwell, Rice, Eq. 198; Bennett *v.* Whitehead, 2 P. Wms. 645; Morgan *v.* Morgan, 1 Atk. 489; Dormer *v.* Fortescue, 3 Ib. 130; and Blomfield *v.* Eyre, 8 Beav. 250, are to the same effect. All go on the ground that one entering on the estate of an infant is supposed in equity to enter as guardian.

Lee *v.* Alston, 1 Vesey, Jr. 81, was a case of lands; which is all that need be said of that.

The People *v.* Houghtailing, 7 Cal. 348, was a very clear case. The administrator of a county treasurer, who has taken possession of money collected by the intestate, is *in privity* with the people who own the money.

Not one of these cases bears any resemblance to the present. We have here a mere tort to personal property, without any privity between the parties—without any trust fund, or any *cestui que trust*, or any other element necessary to make up a trust.

All the other cases in the books are of the same sort. In short, this theory of converting the wrong-doer to personal property into a trustee, *without any privity between the parties*, has not the shadow of a foundation; it is utterly abhorrent to the law, it violates every analogy, and is subversive of every established principle. If this theory is

once established we may next expect to see bills in equity filed to recover the profits made by one who has wrongfully borrowed his neighbor's plow or threshing machine, or stolen his horse.

In the recent case of Sayles *v.* The Richmond, etc., Railroad, 16 Off. Gaz. 43, a suit on this very patent, this precise question was before the court and was very fully considered. The conclusion of the opinion is as follows:

"It was not contended in the argument at bar that the bill in this case can be entertained as a bill for discovery. In fact, it is not framed on that theory, and does not contain the averments necessary to constitute it such a bill. It does not aver that the information it seeks rests alone in the knowledge of the defendant. The defendant is a corporation having no conscience to probe, and is incapable of taking an oath. It can give information only through its officers, and these may all be summoned, and may testify as ordinary witnesses. A 'discovery' (in the technical sense) by the defendant is not necessary to the plaintiff's relief. There is, therefore, no case for a discovery made in this bill *as* a bill of discovery.

"Nor is the bill framed on the theory and in the form of an ordinary bill of account.

"What it seeks is to recover profits resulting to the defendant from using, through a series of years, a mechanical invention without the owner's consent or authority. These profits do not consist in specific sums of money received by the defendant in so using the invention; they simply consist in the advantage and convenience which the defendant derived from using an ingenious piece of mechanism.

"What this advantage was is a matter of estimate by experts or men of practical experience, as due in the lump. It is not a matter of items, of money and accounts, of book-keeping, of buying and selling, of mutual dealing in goods or money. Nor is there any mutuality of account. If defend ant's profits consisted of items at all, the items were all on one side. Because this is not a matter of account; because there was no mutuality of accounts; and because the case is not one for discovery, it follows that the bill cannot be entertained as a bill for an account as such; indeed, in the argument at bar, the complainant's counsel did not claim jurisdiction on that ground.

"In truth, the argument at bar was devoted almost wholly to the question whether or not the profits, derived by the defendant as claimed by the bill, could be treated as trust funds; whether, as to them, the defendant was not a trustee *de son tort*; and whether the jurisdiction of equity to look after these profits as a trust fund, and compel a discovery, an

account and a restitution of them, as a trust fund, could be sustained.

"This question has never been adjudicated by the Supreme Court of the United States. Complainant's counsel cite decisions from other courts, from which he thinks it is *inferable* that courts of equity may take jurisdiction of suits to recover from infringers profits derived from patented inventions, on the ground of constructive trusteeship; and he refers to several recent conflicting decisions of the U. S. Circuit Courts on this question.

"But I think I may safely proceed, as if the question were still an open one. I do not think that the reported cases cited by the complainant's counsel throw any clear light on the question, for they do not bear upon it.

"I do not perceive that the case of Crossley *v.* The Derby Gas Light Co., 3 Mylne & Craig, 430, shows anything which should affect the case at bar. It is the report of the second hearing of the case, and is but a partial report. The only question was upon the construction of a former decree. It does not appear that the bill was not for an injunction, among other things. In a foot-note the report of the case of an appeal from the first decree is mis-cited, as in 4 Mylne *v.* Keen, 72. I believe there is no such volume, and I have been unable to correct the reference or find the case.*

"In Cowing *v.* Rumsey, 8 Blatch. 38, which related to a cylinder polisher, and was an action on the case, no question of jurisdiction arose. The judge there merely made an incidental remark *passim*, to the effect that an infringer of a patent might be treated as a trustee in respect to profits derived by him from the use of the patent.

"In Burdell *v.* Denig, 2 Otto, 720, which related to a sewing machine, and was an action at law, to recover damages from an infringer of a patent, and where jurisdiction was not in contest, Mr. Justice Miller incidentally said that damages might be recovered at law; but that profits were the measure of recovery in equity on the theory that the infringer might be treated as a trustee.

"In Birdsall *v.* Coolidge, 3 Otto, 68, which related to a machine for amalgamating gold and silver, and was an action at law, Mr. Justice Clifford made a remark that profits might be recovered in equity by considering the infringer of the patent as trustee for the patentee.

"The question of jurisdiction did not arise in any one of these cases. Much less did the court in a single instance intimate, in the remotest manner, that notwithstanding the existence of an adequate common law remedy, equity could take jurisdiction of a bill for profits arising from the use of a patent, solely on the ground of constructive trusteeship.

*Note. There was an injunction in this case. 1 Web. Pat. Cas. 119.

"I have looked through the reports in vain for any direct authority for such a jurisdiction. There is such a thing known in equity jurisprudence as a trustee *de son tort*; but in every mention of such a trustee in the books, the property in respect to which a person has been regarded as a trustee *de son tort* has possessed, before the interference with it, the character of fiduciary property. I think it clear law, that it is only in respect to property already subject to a trust and stamped with the fiduciary character, that a person can become a trustee *de son tort*.

"In the present case if the assignment of the patent from Tanner to Sayles had been in trust, for the benefit of beneficiaries recognized by law as such, and Sayles were here suing for the trust funds, for the benefit of such beneficiaries, the defendant might, I suppose, upon the teaching of the authorities on the subject, be treated as a trustee *de son tort*, and be sued in equity.

"But I think that it may safely be held that in any case of constructive trusteeship, the character of trustee *de son tort*, does not attach in such manner as to give equitable jurisdiction over him, unless the property with which he interfered was already trust property when the interference occurred.

"The defendant here, therefore, is not a trustee *de son tort*, nor suable as such in equity.

"This much being clear, let us now suppose the case of a person who takes possession of and uses another's horse, wagon and team, or threshing machine, without his knowledge, consent or authority. In such a case the law provides common law remedies, in which the defendant is afforded the constitutional right of a trial by jury. In such a case the owner may recover damages in trespass for the tort; or he may wave the tort, and sue in assumpsit, on the implied promise to pay what is equitably due for the use and possession of the property. Will it be contended that a bill in equity would lie in such a case, on the theory that the wrong-doer was a trustee *de son tort*, or trustee at all? Yet the theory of an implied promise to pay what is equitably due, is except in name and form, identical with the theory of trusteeship, which is that the wrongdoer is custodian of the money so promised. The action of assumpsit in such a case is based upon the theory that the wrongdoer has impliedly promised to pay what *ex æquo et bono* is a fair equivalent for the use of the property. He is in law treated as a fiduciary in custody of another's property. But though this theory of trusteeship (for it is nothing else) is as old as the doctrine of assumpsit, no one has ever contended until lately, that such a mere theory, employed by judges as a means of explaining by analogy the promise which they derive from the relation of the defendant to the property he has used, may be employed as the basis of a new departure in equity

practice, and of an indefinite extension of the equity jurisdiction, in derogation of the common law and constitutional right of trial by jury.

"The case I have supposed is, in principle, precisely the case we have at bar; for there is no magical quality in the property of a patentee in his patent, to distinguish this case from the one just supposed, where ordinary property has been taken and used without the owner's consent.

"We are not dealing with the patent case by virtue of the peculiar jurisdiction of this court in patent cases, but under its general jurisdiction as a court of equity. The defendant has used the complainant's property, and the fact that the property used is a patent does not at all affect the question of jurisdiction. The patent was not trust property when the defendant began to use it, and therefore the defendant does not bear to it the relation of trustee *de son tort*.

"The act of the defendant was nothing but the simple one of a person taking and using another's property without authority, to his own advantage, and incurring a liability to compensate the owner for such use of the property. The case is in principle precisely identical with that of such a use of a horse, or a boat, or a wagon and team, or threshing machine—giving a right of action in assumpsit—and until recently I have never known it to be contended that compensation for such use could be sued for in equity, 'on the theory of a constructive trusteeship,' or on the 'idea' that the wrongdoer was an 'involuntary trustee.'

"Courts have undoubtedly used such language in illustration of the theory of responsibility, on which they have held defendants liable in actions of assumpsit at law, and in bills of injunction in equity, for the use of patent property; but language used on the bench for mere purposes of illustration cannot either fairly or safely be treated as authoritative decisions, and made the basis for assuming a jurisdiction not otherwise existing, and new to equity jurisprudence. The bill will therefore be dismissed."

The fact is, trustees are not so common and simple a thing as appellant imagines; they do not grow on trees, nor can they be picked up like stones in the street. They must grow in their own soil, and on their own stock, and have their own proper genesis.

Nor does it help the matter to call them trustees *de son tort*. This term has as definite a meaning as executor *de son tort*, or guardian *de son tort*. And as there can be no executor *de son tort* without a testator, and a trust fund already in existence; and no guardian *de son tort* without an infant and

his trust fund to be administered; so there can be no trustee *de son tort* without a *cestui que trust* and a trust fund already belonging to him. It is the unauthorized meddling with this trust fund that makes the trustee *de son tort*. He does not turn it into a trust fund by meddling with it, but it was a trust fund before ever he had anything to do with it.

One or two other points made by appellant perhaps deserve an answer.

First. It is said that "for injuries to other personal property the plaintiff may bring *trespass* and recover his damages; or he may waive the tort and bring *indebitatus assumpsit;* and thus, in effect, convert the wrongdoer into an involuntary trustee. For the unlawful use of a *patent*, however, law affords only the first of these remedies, and therefore equity furnishes the other."

The answers to this are obvious:

1. Equity jurisdiction cannot be extended in this way, simply to give the plaintiff a *choice of remedies*. There is no such thing known to the common law; nor has congress seen fit to authorize it.

2. If the argument is sound, then, too, actions for slander and libel, for personal injuries, breach of promise, and the like, ought to be sustainable in equity, so as to give the plaintiff the same election.

3. Even in case of conversion of personal property the plaintiff cannot waive the tort and sue in assumpsit unless defendant has sold the goods. He cannot thus sue for the profits made by their use.

4. If the defendant, in *indebitatus assumpsit*, is really a trustee, why can he not maintain a bill in equity?

We will answer this question. It is because one may be called a trustee by way of illustration, without being a real trustee.

Second. Appellant asserts that his doctrine has been repeatedly *announced, applied* and *acted upon* by the courts, not only when equity happened to grant an injunction, but also when no injunction was issued; and he cites several cases in support of this assertion.

Burdell *v.* Denig and Birdsall *v.* Coolidge have been already answered. The court did not decide in either of those cases,

nor even intimate, that equity had jurisdiction on the ground of a trust. No such question was presented.

Livingston *v.* Woodworth, so far from supporting appellant's theory, directly contravenes it. The court below did indeed announce the rule "that the master was to report the profits which respondents *might have made* with due diligence and prudence; and the principle adopted by that court was that respondents *were to be charged as involuntary trustees*, accountable, like mortgagees in possession and other similar trustees, for the profits which might have been received with due care and prudence."

If respondents were really trustees that was the true rule; *but this court reversed the decree*, holding, as they have several times held since, that it is not what the defendant, by due diligence, might have made, but what he actually did make, that is the true measure of damages.

In Goodyear *v.* Rubber Co. and Seymour *v.* Marsh no such question was raised, and the bill, moreover, in both cases was filed before expiration of the patent.

It is insisted, however, that in those cases, as well as in City *v.* Pavement Co., this court must have acted upon the theory of a trust, or else they would not have given the plaintiff defendant's profits. But,

1. "The profits recoverable against an infringer are, in fact, a compensation for the injury the patentee has sustained from the invasion of his right. They are the measure of his damages. *Though called profits they are really damages.*" Mowry *v.* Whitney, 14 Wall. 653.

2. For over a hundred years in England the courts have awarded profits in equity, and have not yet found out that the defendant was a trustee.

3. In like manner, in this country, profits have been awarded in hundreds of cases without any suggestion of a trust.

4. And not only in equity, but also at law, where it will not be pretended that any such trust exists. Whittemore *v.* Cutter, 1 Gall. 483; Lowell *v.* Lewis, 1 Mas. 185; Wilbur *v.* Beecher, 2 Blatch. 143; Hall *v.* Wiles, ib. 201; Sickles *v.* Borden, 3 ib. 543; Page *v.* Ferry, 1 Fish, 316; Bell *v.* Daniels, ib. 379; Serrill *v.* Collins, ib. 297; Conover *v.* Rapp, 4 ib. 59; Seymour *v.* McCormick, 16 How. 480; Turrill *v.* Ill. Cent. R. R.,

3 Fish. 330. This last case is especially in point, for the same plaintiff afterward sued the same defendant on the same patent in equity, when the same rule as to giving plaintiff the defendant's profits was applied in precisely the same way, by the same judges, Davis and Drummond, who had already applied it in the suit at law.

As to the other cases cited by appellant, Sayles *v.* The Railroad, and Vaughan *v.* The Railroad, were decided largely on the discovery and account, a theory which even the appellant has now abandoned. As to the cases decided on the circuit by some of the honorable justices of this court, I can only hope that they may now reconsider their decisions.

Of course it is not meant by all this to deny that the defendant in a patent suit can ever be a trustee. In Littlefield *v.* Perry, 21 Wall. 205, the defendant held the legal title to the patent in trust for the plaintiff. He was clearly chargeable as trustee, and the court held him liable accordingly; not simply for the profits he had made *after the reissue* of the patent, as in all other cases, but for profits made *under the surrendered patent* as well.

This case suggests several pertinent inquiries.

If the defendant in an ordinary patent suit is really a trustee, why is he not subject to the above rule? Why is he not chargeable with the profits made under the surrendered patent when sued on a reissue?

Is not the distinction between a real trustee and one who is only called a trustee by way of illustration, as in Burdell *v.* Denig, clearly indicated in the above case?

And, finally, is not this whole question well summed up in the opinion of Lord Westbury, in Knox *v.* Gye, 5 Law Rep. 675, H. O. L., where a surviving partner was sued by the representative of his deceased partner for an account?

"It is most necessary to mark this again and again, for there is not a more fruitful source of error in law than the inaccurate use of language. The application to a man who is improperly and by metaphor only called a trustee, of all the consequences which would follow if he were a trustee by express declaration,—in other words, a complete trustee,—holding the property exclusively for the benefit of the *cestui que trust*, well illustrates the remark of Lord Mansfield that nothing in law is so apt to mislead as a metaphor."

may possibly here be relied on. But that argument is of little weight. For, first, if the law and the constitution are as above stated, the courts will pay little attention to the inconvenience. And, secondly, the inconvenience is wholly imaginary. No patentee need wait till his patent has expired. As a general rule he ought not to wait. Cases of this sort, therefore, need never be numerous. And let it once be understood that there is no admittance into equity after the expiration of the patent, they will become even less numerous than they are now. If, however, the patentee or, far more often, the *assignee*, chooses to wait till after the patent has expired, he has a perfect right to do so; but in that case he has no cause of complaint if a license fee is all that is allowed him. And the value of a license fee, if not already fixed, as in most cases it would be, can certainly be as conveniently settled by the jury as by the court.

That this at least is the view of congress is evident from the act of May 1, 1875, conferring power on courts of equity to empanel a jury in patent cases,—an act that never would have been passed except on the belief that questions of fact may well be left to a jury in these cases, as well as in most others.

The above argument is based on the fact that the patent has expired. There is, however, another and wholly independent reason why the court should refuse jurisdiction in this case, and that is the nature of the invention.

The patent here is for an improved railroad brake. The patentee, of course, could not use it himself; still less could he hold a monopoly of its use. His only source of profit is his license fee. It is for his interest that all roads should use his invention. Hence he needs neither an injunction, nor an account of profits, nor any equitable relief. He has a complete remedy at law.

This is the precise doctrine laid down by Judge Grier in Livingston *v.* Jones, 2 Fish, 209.

"If the inventor's profit consists neither in the exclusive use of the thing invented, nor in the monopoly of making it for

others to use, but in having a general use of it by all who are willing to pay him the price of his license, then the non-payment of the license fee by the infringer is the only wrong done to the patentee. The only cases in which the measure of the patentee's damages is the amount of the infringer's profit are, when the invention is of some new machine, or for a new form of any kind of known machine, which, as a distinct species of machine or manufacture, is more valuable, or can be put into market cheaper, so as to supersede or exclude other machines or manufactures of the same genus; and where the profit of the patentee consists in a complete monopoly of the right to make and vend the new machine or manufacture as a unit, and in the exclusion of all competition. In such a case, the only measure of damage in a court of equity is the amount of profits made by the infringer, and it is in such cases that the injured party should seek his remedy in a court of chancery, where he can have a decree for an account, and an injunction to protect his monopoly. *But it is plain that a patentee, whose invention is only valuable because used by all who pay a license fee, and who suffers no other wrong than the detention of such fee, has fixed his own measure of compensation, and needs none of the remedies which it is the duty of the chancellor to give for his protection. An injunction would do him no good; an account is not wanted; and the only remedy to which he is entitled being a judgment for a given sum of money, with interest, a court of law is his proper resort*, where also he may recover a penalty to the extent of treble damages, if the judge sees fit to inflict it.

See also Sanders *v.* Logan, 2 Fish. 170, and McCormick *v.* Seymour, 16 How. 489, where this court considering the rule of damages cites the case of Stimpson's patent for a turn-out in a railroad, and says:

"It was the interest of the patentee that all railroads should use his invention, provided they paid him the price of his license. He could not make his profit by selling it as a complete and separate machine. An infringer of such a patent could not be liable to damages to the amount of the profits of the railroad, nor could the actual damages to the patentee be measured by any known ratio of the profits on the road. The only actual damage which the patentee has suffered in such a case is the non-payment of the price which he has put on his license, with interest, and no more."

If these cases state the rule correctly the plaintiff here could have no need of any equitable relief, whether the patent had expired or not. An injunction would only dry up the source of his profit. He never could have made any profits or savings

by *using* the invention. His only loss is that of his license. If then the court should have any doubt as to our first proposition, it is respectfully submitted that what has just been said is of itself a sufficient reason for declining the jurisdiction.

Finally, all these objections derive additional force from the delay in seeking relief. In matters of account, though not yet barred by the statute, equity refuses to interfere, after a considerable lapse of time.

McKnight *v.* Taylor, 1 How. 161.

In that case the plaintiff had a right to have a debt paid out of certain property, but did nothing for nearly twenty years, or just before the statute would run out. Held that there was not that conscience, good faith and reasonable diligence that are necessary to call into action the powers of the court.

See also Piatt *v.* Vatier, 9 Pet. 416.
Crossly *v.* Beverly, 1 Web. Pat. Cas. 120.
Harrison *v.* Gibson, 23 Gratt. Va. 212.

Also McLean *v.* Fleming, 6 Otto, 251–257, a trade-mark case, where the court says: "Cases often arise where equity refuses an account of profits on the ground of delay, even where an injunction is proper."

So in Manhattan Medical Co. *v.* Wood, 14 Off. Gaz. 519, "equity will not decree an account of gains and profits when there has been long acquiescence in the use of the trade-mark by others, and laches in bringing suit."

The plaintiff here has waited nearly six years after the expiration of the patent before bringing suit, and much longer than that since knowledge of the infringement.

II.

THE FEDERAL STATUTE OF LIMITATIONS.

As to so much of said bill as applies to the original term of the patent, appellee pleads the act of 1870, § 55, providing that "all actions shall be brought during the term for which the letters patent shall be granted or extended, or six years after the expiration thereof."

The action in this case was not brought till more than six years after the expiration of the first term; it is claimed, however, by appellant that the six years did not begin to run till the expiration of the extended term, and that thus the suit was begun in time to cover the first term.

The appellee, on the other hand, claims that Congress intended to limit the right to sue on the original term to six years after that term expired; and in like manner to limit the right to sue on the extended term to six years after that expired.

The language demands that construction, and all reasons of right and equity are in favor of it. The object of limitation laws is to protect the defendant from stale claims; they are for his benefit, not the plaintiff's. It would be strange, therefore, if Congress meant by this act to confer a double favor upon the patentee whose patent is extended, and at the same time deprive the defendant of a large share of the very benefits that act was intended to secure. The inventor whose patent is not extended is required to bring suit within six years after the end of the original term; and the reason for this is that the defendant may not be harassed by stale claims. What reason or justice can there be in giving the owner of an extension seven years more in which to sue under the first term? Why should he not be still required to sue within six years, like his less fortunate brethren?

As to the defendant, the argument is yet stronger.

First. It would be strange injustice to hold that a claim against which he would have been protected as a stale claim at the end of twenty years from the date of the patent, provided there had been no extension, is any the less stale six years

thereafter, merely because of an extension. Congress never could have intended such an enormity.

Second. This argument gains additional force when we consider that the same parties do not always own both terms — one owning the original term, while another holds the extension. Are we to suppose, then, that Congress meant to say that because a patent happens to be extended to A, therefore B, the owner of the first term, may wait another seven years before bringing suit? It would certainly be an anomaly in the law thus to make B's right of action depend upon a matter in which he had no concern.

Third. The limitation, unless construed as we contend, would largely fail of its effect. Even on our construction, the patentee would have twenty years in which to sue; and on the opposite construction, twenty-six. No other statute of limitations affecting personal property approaches the shortest of these periods. The statute as to mesne profits, which is most analogous to this, is in most, perhaps all, of the states limited to five or six years, and, except as to real estate, the statute seldom goes beyond six. But there is hardly any class of cases where a brief statute of limitations is so imperatively demanded as in this. There is no other where the damages mount up with such rapidity, nor where the difficulty of preserving the proof is so great. It is well known that parties often compromise a claim rather than run the risk of this failure of proof some ten or fifteen years later, or whenever the patentee gets ready to sue. It is also true that patentees purposely delay suit for both these reasons, viz, that the profits may be the greater, and that defendants may no longer be able to prove the want of novelty in the patent.

Fourth. The language of the act requires our construction. "All actions shall be brought during the term for which the letters patent shall be granted or extended, or within six years after the expiration thereof." Expiration of what? Clearly of either of these terms. Within six years after the expiration of the original term in the one case, and of the extended term in the other. If the patent is not extended, "thereof" *must* apply to the first term. If the patent is extended it still applies to the first term as before, and also to the extended term. If this was not the meaning of Congress there was no need of saying anything about extensions. The law in that

case would have simply run thus: "All actions shall be brought during the term of the letters patent, or within six years thereafter." It is familiar law that effect must be given, if possible, to all the words of a statute; but no effect can be given to all the words of this statute except on this construction.

As to the argument that the extended patent is to have the same effect in law as though originally granted for twenty-one years, we cannot see what the "effect" of the patent has to do with the construction of this statute. The extension relates back to the date of the original invention; it is a new term, but the same patent. For this purpose it is to have the same effect as if originally granted for twenty-one years; but there is nothing here that has any bearing on the present question. We are not considering the effect of the patent, but simply the remedy.

It is further insisted that a short statute of limitation would be unjust to patentees. But nothing has been said about a short statute. Under our construction they would still have twenty years to sue on the original term. That is precisely the same time they would have had if the patent had not been extended. If, then, twenty years is too short in the one case it must be too short in the other.

Again, we are told that this is an action on an account with a constructive trustee, and that statutes of limitation only run against accounts from the date of the last item. We deny, as before, that there is any trusteeship in the case; but, if a trust at all, this is not a direct, but a constructive trust, and therefore as much within the statute as any other demand.

Angell on Lim., §§ 166, 167, 469.

Elmendorf *v.* Taylor, 10 Wheat. 152.

Beaubien *v.* Beaubien, 23 How. 190.

And as to the second point, an infringement is a continuing trespass, and such claims are constantly split up into parts, as in the action for *mesne* profits. It was so held in Crossley *v.* Gas Co., 1 Web. Pat. Cas. 119.

Finally, it is urged that the statute should be certain, and if it is not, the courts should lean to mercy's side—that is, the side of the patentee! But few statutes are certain till settled by the courts, and statutes of limitation are all now regarded as statutes of mercy.

III.

THE ILLINOIS STATUTE OF LIMITATIONS.

"All actions of trespass, detinue, trover and replevin; all other actions founded on any promissory note, bill of exchange, book account, or simple contract; all actions founded on any promissory note, bond, judgment, contract, or indebtedness, executed, rendered, entered into, or accrued, beyond the limits of this state; *and all actions on the case* shall be commenced within five years next after such recovery, or the cause of such action shall have accrued, and not after."

The theory of appellee here is this: In the absence of any Federal Statute of Limitation the statutes of the several states, as adopted by congress, must be the rule in all cases to which they apply. But when congress passed the act just referred to it superseded all other legislation on this subject. It did not, however, *revive* any cause of action already barred by the state statute. This act was passed July 8, 1870; all causes of action, therefore, which had accrued five years before, that is, July 7, 1865, were then wholly barred: provided, that is, that any state statute can effect suits under the patent laws of the United States. As to this there ought to be no doubt.

First. It is well settled in other cases that the state statutes of limitation form rules of decision in the federal courts, where congress has not legislated on the subject.

McCluny *v.* Silliman, 3 Pet. 270;
Leffingwell *v.* Warren, 2 Black, 599;
Hanger *v.* Abbott, 6 Wall. 537;
Brown *v.* Hiatts, 15 ib. 183;

and that courts of equity are as much bound by these statutes as courts of law.

Bank of United States *v.* Daniel, 12 Pet. 56.
Hayman *v.* Keeley, 3 Cr. C. C. 325.
Pratt *v.* Northam, 5 Mas. 95.
Sherwood *v.* Sutton, ib. 143.
Elmendorf *v.* Taylor, 10 Wheat. 168.
Miller *v.* McIntyre, 6 Pet. 66.

Second. Though there is not the same harmony in regard to patent suits, we claim that state statutes apply here, just as

much as in any others, and that no good reason can be shown to the contrary.

It was so held in the following cases:

Parker *v.* Hawk, 2 Fish. 58; Leavitt, J. 1857.

Parker *v.* Hall, 2 Fish. 62; McLean, J. 1857.

Contra, Collins *v.* Peebles, 2 Fish. 543; Swayne, J. 1865.

Parker *v.* Hallock, 2 Fish. 543; Grier, J. 1857.

The argument in Parker *v.* Hawk is quite full upon this point, and is approved in Parker *v.* Hall. In Collins *v.* Peebles the argument has not been preserved. In Parker *v.* Hallock there was no argument.

In Rich *v.* Ricketts, 7 Blatch. 230; 1870; Hall, J., comments upon the foregoing cases, and holds, after full consideration, that the state statute is a bar.

Read *v.* Miller, 3 Fish, 310; McDonald, J., 1867; is the only case opposed to us that contains a full discussion of the subject; but the argument is as good as can be made on that side of the question. That argument, briefly stated, is this: "The Constitution has given the National Government exclusive control over patents, and the United States courts have exclusive jurisdiction. The policy of this was to give patentees everywhere the same rights. Hence no state can pass any valid law concerning patents; and should a state pass an act in express terms limiting suits for infringement, such an act would at once be admitted to be on its face unconstitutional and void."

But in the first place, in McCluny *v.* Silliman, this court has decided that a state statute *may* apply to a matter over which Congress has exclusive control. That was a suit against a United States officer for nonfeasance in office; and it was expressly objected by the plaintiff that, as the cause of action arose under a law of Congress, the state statute would not apply. And the objection was argued by this court, and overruled.

Second, as to the claim that patentees must have equal rights all over the United States, and that it will not do, therefore, to have one limitation in this state, and another in that, it may well be asked, why patentees, any more than the owners of other property? One who has to bring an action of assumpsit, case, trespass, or libel, must conform to the statutes of the state. All other rights in all other property are subject to this rule. No reason has been given why this particular

kind of property should be exempt. Congress has never made any such distinction; Congress has never said or intimated that patent suits stand on any different footing in this respect from others.

The chief defect, however, in the above argument yet remains. It consists in assuming that the state legislatures, in passing their Statutes of Limitations, are in some way interfering with the exclusive rights of Congress, and with the jurisdiction of the Federal Courts. And the learned judge evidently thinks that he has expressed his argument in the strongest possible form, when he says that, if any state legislature should in express terms limit the time for bringing suits for infringements, such an act would be at once admitted to be unconstitutional and void.

But no state has ever done any such thing. No state has ever passed any law for the purpose of limiting the time to sue in the federal courts, either in regard to patents or any other property. All that any of the states have ever done has been to enact such laws for their own courts, which of course they had a right to do. Then congress has adopted those laws and made them rules for the federal courts, which congress also had a right to do. All this discussion, therefore, about the power of the states to regulate the practice in the national courts is out of place. Whether congress in thus adopting these various state statutes ought not to have excepted statutes of limitations, or suits concerning patent rights, is a question with which we have nothing to do. It is sufficient for our purpose to know that congress has made no such distinction. And if congress has thus seen fit not to except them, how can the courts be asked to do it?

Unless, therefore, there is something in the nature of patent property, or patent litigation, which renders it not only desirable, but essential, that there should be but one statute of limitations throughout the country, the state statutes must furnish the rule. Mere inconvenience is not enough. Nothing short of the gravest necessity will justify the courts in putting any such forced construction upon an act of congress. It cannot be pretended that any such necessity exists in this case. Nor is there any special inconvenience peculiar to patentees in applying to them the same rule that applies to every other

class of suitors. The argument that it is desirable to establish one general rule in all the courts, while proving very little, yet proves too much. It is desirable to have one general rule, not only in patent suits, but in all others. It would be a good thing to have but one code of pleading and practice throughout the United States. It is a consummation devoutly to be wished, that we had one court of last resort for all questions of law, wherever they might arise. But it would be a very poor way to begin this reform by selecting a single act of congress, and putting upon it a construction justified neither by the language of the act nor by any of the preceding decisions of the courts.

Finally, the case of United States *v.* Reid, 12 How. 361, cited by appellant, seems rather to be in our favor. The only point there before the court was whether the 34th section of the judiciary act of 1789 applied to *criminal* trials, and this was the only point decided.

The court does, indeed, say, in the above case, that "the language of this section cannot, on any fair construction, be extended beyond civil cases at common law, as distinguished from suits in equity," and that it "was merely intended to confer on the courts of the United States the jurisdiction necessary to enable them to administer the laws of the states"; p. 363.

But as to this last proposition, it has been no less than three times overruled by this court, in Vance *v.* Campbell, 1 Black, 430; Haussknecht *v.* Claypool, ib. 435, and Wright *v.* Bales, 2 ib. 535, all three patent cases, and having nothing to do with the laws of the states; and to the same effect is Johnson *v.* Root, 2 Fish, 299. In all these cases the parties were held competent to testify under the state laws by virtue of this section. And these cases were approved in Potter *v.* The Bank, 102 U. S. 163.

As to the first statement, that the *language* of the act does not embrace equity suits, that is too plain to be denied; but it is equally certain that equity here follows the law, and that state statutes are thus constantly applied in equity in the United States courts. "In such cases the courts of equity act in obedience to the statutes of limitation, from which they are no more exempt than courts of law."

Bank of United States *v.* Daniel, 12 Pet. 56, and other cases above cited.

There is no escape, then, from these conclusions. This court does apply the state statutes, under the judiciary act of 1789, reënacted in the Revised Statutes of 1874, not only to cases in the United States Courts, but to cases in those courts under United States laws, *and under the patent law itself.*

It is now, however, contended by appellant, for the first time, that the state statute, even if applicable, has been wholly superseded by the act of congress. That is to say, even if the statute of Illinois applied, and if by that statute a part of the plaintiff's claim had been wholly barred, the right of action would be revived by the act of congress; and in support of this is cited a decision of this court that the statute in force when the suit is brought determines the right of the party to sue.

Admitting this to be the law in this court it still cannot affect the question at issue. As to causes of action not then already barred they would fall under the new law. But as to causes fully barred previous to the act, the rule is different. They cannot be revived. Angell on Lim. § 22, note 3, citing a long list of decisions to this effect.

Appellant next insists that a statute of limitation is a hard and rigorous rule, and to be construed, therefore, in favor of the party whose rights are sought to be barred by it.

But such statutes have been for many years considered simply as statutes of repose.

All of which is respectfully submitted.

GEORGE PAYSON,

Counsel for Appellee.

IN THE

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, A. D. 1881.

THOMAS SAYLES,
Appellant,

vs.

THE LAKE SHORE AND MICHIGAN SOUTHERN RAILWAY COMPANY,
Appellee.

No. 176.

SUPPLEMENTAL BRIEF FOR APPELLEE.

By GEORGE PAYSON,
Counsel.

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SUPPLEMENTAL BRIEF FOR APPELLEE.

If this argument is not by itself conclusive, all it needs to make it so is the argument for the appellant. On every page of his voluminous briefs we find proof of extraordinary research, learning and ability. I do not see how his case could have been better presented. I acknowledge this all the more cheerfully because I expect to derive as much benefit from it, or even more, than he himself.

My argument here is this. If all this labor and study has been able to produce nothing better, his position must be even more untenable than it seemed at first.

The learned counsel first undertakes to answer my English authorities by several citations of his own, which, as he presents them, may perhaps

seem at variance with those produced by me. But on closer inspection, no such variance will be found On the contrary, it will appear that though these cases could never have been cited for the appellee, having really nothing to do except negatively with the question here presented, yet when cited by the appellant, they do acquire a positive value for the appellee.

The first of these cases is *Story* v. *Lord Windsor*, 2 Atk. 630.

Appellant's statement is here wholly misleading. Defendant there claimed as purchaser, for a valuable consideration without notice, of one eighth of a colliery, and set up a fine and non-claim as a bar to plaintiff's right. It was a fine, too, levied by one tenant in common who was in privity with his cotenant.

To make this case like that, the appellee here should be claiming to own, under a purchase for a valuable consideration without notice, an undivided interest in the appellant's patent.

He would then be clearly in privity with the appellant, and equity would clearly have jurisdiction, if for nothing else, to decree a conveyance.

The next case cited by appellant is, to use his own words, the far more instructive one of *Garth* v. *Cotton*, 1 Dickens, 183.

That this case may be instructive under proper conditions cannot be denied, but all the instruction we are likely to get from it to-day is as showing how cruelly a valuable decision may be perverted.

It is impossible fully to understand the case without reading the whole, and for that I have no time. Suffice it to say that the statement of appellant fails to give even the remotest idea either of the facts or of the legal questions presented.

The timber had been cut and sold by defendant's father, under a written agreement with plaintiff's father, before plaintiff was born. The money was in Court in the hands of trustees.

And the general question in the language of the Court was, whether the plaintiff was entitled to satisfaction for so much as defendant's father received out of the inheritance by the fall and sale of timber before the plaintiff came *in esse*, before he had any estate in the land, and while the remainder which vested in him afterwards, rested in mere contingency. p. 187.

And it was admitted at the bar on all sides, says the court, to be a new question, wholly without precedent.

And it was also admitted that plaintiff could have no remedy at law, either in his own name, or in the names of the trustees to preserve contingent remainders.

There was here a privity between the parties, as the court expressly says ; p 186.

There was absolutely no remedy at law.

There was also fraud and collusion.

What would be necessary to make that case without precedent, a precedent for this, is more than I can say.

Lee v. *Alston*, 1 Brown, 193, is the next case cited by appellant, and here, again, his statement is largely misleading.

1. The bill was filed by the remainder man against tenant for life, between whom of course, there was privity.

2. The bill prayed a discovery, and the defendant having answered, then insisted that trover might have been brought for the timber.

In the same case, in 3 Brown, 38, the defendant was held to be the plaintiff's bailiff, which he clearly was. To make that case like this, appellee would have to hold the title to the patent for life, with remainder over to the plaintiff.

The next of these English cases cited by appellant is *Pultney* v. *Warren*, 6 Vesey, Jr. 89. It is not in the same connection, but further on at p. 49 of his brief. His statement gives no idea of the matter. An account of mesne profits was there decreed against executors upon the special ground that plaintiff was prevented from recovering in ejectment, by a rule of the court of law, and by an injunction at the instance of the occupier.

"Upon such a bill by an infant the ground is infancy, and the character of defendant as bailiff or receiver."

"No such bill can be maintained by an heir merely as such, unless there is some impediment at law—as possession of the deeds by the defendant—or terms in the way of his recovery," &c., &c.

On p. 11 of his brief, appellant says: there was no privity of any kind in the Story case, and no privity of contract in the Garth or Lee case; and that in all three the action of trover was at command of plaintiffs.

But in the Garth case the court says expressly there was privity; p. 189. And in the Garth case and the Lee & Alston case, the court says that plaintiff could not have sued at law.

The idea then suggested by appellant, that the English judges, in the cases cited by me, have step by step reversed the doctrine established by Lords Hardwick and Thurlow, is a monstrous chimera.

There is no resemblance or analogy between *Bai-*

ley v. *Taylor*, *Smith* v. *Railway Co.*; *Price's Co.* v. *Bauwens Co.*, and *Betts* v. *Gallais*, on the one hand, and these cases cited by appellant on the other.

It is by such rash citations of authorities as these that Courts are misled, and the law perverted.

Coming next to the American cases cited by appellant, the first we find is Perry on Trusts.

This is answered in my brief. But as appellant here again insists on *People* v. *Houghtailing*, as most perfectly analogous in all respects to the case at bar, I must repeat that the money there was, beyond all question, trust property before ever defendant meddled with it. He was hence clearly a constructive trustee.

2. *Hardy* v. *Harbin*, 4 Sawyer, Field, J., 1865, was a very clear case.

Defendant held the legal title to land which really belonged to plaintiff.

Plaintiff could not bring ejectment. He had no remedy at law.

Besides, the bill, as usual, prayed a conveyance.

3. *Norton* v. *Meader*, 4 Saw. 614, Field, J., was of the same sort.

The general statement of the court must of course be taken with reference to the facts.

To make this case like that, defendant should hold the legal title to the patent, while it really belonged to the plaintiff, and the bill should have been for a re-conveyance.

And here again I say, if this is the best the appellant can do, his case is indeed desperate.

Apppellant next cites a long list of American cases, some of which are fully answered in my brief; the others mus be briefly noticed here.

1. *Allen* v. *Blunt*, 1 Blatch. 480. Appellant says

no injunction appears to have been granted, and that though Judge Nelson speaks of injunction bills, he had no such idea in his mind.

But the plaintiff's argument there was that the Court having authority to grant injunctions, could also compel an account, and grant any ancillary relief.

Judge Nelson also cited *Crossley* v. *Gas Co.*, as to which appellant says; "We find there not the least allusion to an injunction," nor any evidence that the bill was an injunction bill.

This statement of appellant is surprising for two reasons:

First—Crossley v. Gas Co. has always been considered one of the curiosities of the patent law, as granting an injunction after patent expired.

Second—Appellant made a similar statement in one of his former briefs, when I showed him his error, and he erased it.

That an injunction did issue appears in 1 Web. Pat. Cas. p. 119.

Judge Nelson also cites *Pierpont* v. *Fowle*, 2 W. & M. 23. This is perhaps the fullest case on this whole subject. The court there puts the right to an account on an injunction. P. 34.

"And it is an *incident to the injunction*, against what is wrong, that the respondent should pay for all he has realized from the copyrights illegally." P. 47.

Nevins v. *Johnson*, 3 Blatch. 80, puts the jurisdiction on the act of Congress.

In *Sickles* v. *Glouc. Man. Co.*, 1 Fish. 222, Judge Grier bases his opinion both on the account and on the statute. He admits that our statement as to the necessity of an injunction, is a correct statement of

the general rule as settled in England. "This rule," he says, "had its origin in *Jesus College* v. *Bloom;* but since then the exceptions have become so numerous, that the rule can hardly be recognized as existing. The bill need only pray a discovery for the purpose of account, and it will be sustained for the account only."

And again, "Whenever the subject matter cannot be as well investigated in an action for money had and received, or *indebitatus assumpsit*, a court of equity exercises a sound discretion in decreeing an account."

To this it seems enough to reply that, when the suit was commenced, the patent was still in force, and the plaintiff entitled to an injunction. The Court, therefore, of course had jurisdiction; and it would be going much farther than we ask the Court to go in this case, to hold that the jurisdiction once obtained could be lost by the subsequent expiration of the patent.

As to the exceptions to the rule, which Judge Grier says have since become so numerous, he does not name them, nor have I been able to find them. The rule stated in its broadest sense, is that a bill in equity will not lie for a mere tort to personal property; or, in other words, that an action of trover cannot be changed into a suit in equity. I know of no exceptions that have since arisen to this rule, unless this very decision of Judge Grier, and others founded on it, are to be so regarded.

The only authorities cited by Judge Grier in support of his decision are Eden on Injunctions, by Waterman, 245; and Carlisle *vs.* Wilson.

But Eden on Injunctions is certainly no authority for any such doctrine. Neither on the page above

cited, p. 245, nor anywhere else that I can discover. it said that "the bill need only pray a discovery for the purpose of an account, and it will be sustained for the account only."

He does say that a bill may in a proper case be maintained for an account; but it is always a technical account he is speaking of; and he expressly says that it must be mutual. Vol. I, p. 51, note 1; p. 52, note 1.

What he says on p. 245 is, that, in the case of mines and collieries, a decree for profits may be made without an injunction; but those cases have always been considered an exception to the general rule.

And even in those cases, it is added, the bill can-to be maintained upon a mere legal title.

In *Carlisle* v. *Wilson*, there was nothing in the nature of a tort; it was a suit for tolls, and might well enough have been *indebitatus assumpsit*. But no one has ever yet, at least, claimed that *indebitatus assumpsit* would lie for the infringement of a patent. Moreover, the account spoken of in *Carlisle* v. *Wilson*, clearly does not mean every account; nor every account even, that can be sued upon in general assumpsit. It does not mean an ordinary account for work and labor, nor for goods sold and delivered; still less such an account as is presented by an action of trover or on the case.

As to the other ground of jurisdiction assumed by Judge Grier, the "plenary authority conferred by statute," we have said all we had to say on a preceding page. But we must call attention to the fact that the same judge afterwards expressly held in *Sanders* v. *Logan*, 2 Fish. 170; and *Livingston* v. *Jones*, *Ib.* 210, that in a case like this, that is, where it was for

the interest of the patentee that all should use his invention, and pay him a license fee, "neither an injunction nor an account are necessary or proper;" and that "a court of law is his proper resort;" thus arriving, though by a different road, at the same conclusion insisted on by us.

Imlay v. *Nor. & Wor. R. R.*, 1 Fish, 340, was decided on the strength of the preceding decision of Judge Grier, without any independent discussion. There, too, the patent expired *pendente lite*.

Perry v. *Corning*, 6 Blatch. 134, was decided in the same way.

In *Howes* v. *Nute*, 4 Clifford, 174, no such question was raised. The learned judge was simply giving one of those brief essays on the patent law with which he was wont to preface his decisions. This is evident from what he says on the Statute of Limitations. And this leads me to say that I might as well have cited this case in support of the argument on the State Statute of Limitations, as appellant could cite *Burdell* v. *Denig*, on the question of a trust. There was, then, no Federal statute, and of course Judge Clifford must have referred to the State statute.

In *Smith* v. *Baker's Adm'r*, 5 Off. Gaz. 496, McKennon, J., held defendant a trustee on the *obiter dictum* in *Cowing* v. *Rumsey*. He also answered the injunction argument by the act of Congress. In *Vaughan* v. *Railroad*, Judge Brown heard only one side of the case. He puts his decision partly on the discovery; partly on the complexity of the account; partly on the trusteeship, and partly on the act of Congress.

In *Sayles* v. *D. & S. C. R. R.* Judge Dillon based his decision largely on the discovery.

In *Sayles* v. *L. S. & M. S. R. R.* Mr. Justice Harlan, as I suppose, sitting on the circuit, felt bound by the *dicta* of this court.

In *Stevens* v. *K. P. R. W. Co.*, Mr. Justice Miller did undoubtedly decide in favor of the jurisdiction. But I cannot help thinking that, his mind having become imbued with the idea that equity had jurisdiction, he was not then ready to adopt a contrar doctrine.

As to the other Sayles and Vaughan cases, my understanding is that no full argument was made by defendant.

In *Gordon* v. *Anthony*, the decision was based on the act of Congress.

Now, as to the above cases, it may be observed, first, that their number is more formidable in appearance than in reality. They do not all point the same way. Some of them must be false guide-posts. It cannot be pretended by any one that the jurisdiction can be maintained either on the discovery, or the account, or the act of Congress. It must stand, if at all, solely on the trust.

Second. As to those cases holding defendant a trustee, they all owe their origin to *Burdell* v. *Denig* and *Birdsall* v. *Coolidge*. It cannot be said of them generally that they are the independent judgments of the Courts by whom they were decided.

Third. It had come to be quite generally supposed, without any study or reflection upon the matter, that equity had in some way, jurisdiction in equity in patent cases, the same as at law. If the question had been put to patent lawyers, they would probably have answered, "Why, I supposed the act of Congress conferred jurisdiction."

The truth is, few had ever thought much about it.

Except in *Nevins* v. *Johnson*, no bill had ever been filed after the expiration of the patent, from the beginning until 1876; when a "prowling assignee" having bought up the remnants of the Hodge Brake patent, brought a hundred or more of suits under it just before the running of the federal Statute of Limitations.

Fourth. Giving full weight to all of these decisions, they still ought not to outweigh the far greater number by which the opposite doctrine has been so long and firmly established. The cases in which the question has arisen are indeed but few, but their very paucity shows the sense of the profession.

Few such bills were filed, because most of our lawyers knew better. When they were filed they were uniformly dismissed.

The appellant with all his labor has not been able to find a single decision, outside of these patent cases, that affords him the slightest relief. He has tried before and failed, and he now tries it again.

In his last brief, at p. 53, he cites several new cases, which, as the Court may not otherwise readily understand their bearing, must be here briefly referred to. In *New York Ins. Co.* v. *Roulet*, defendants had in their hands $5,000 which had been paid to them out of the French indemnity, on account of the plaintiff's goods by them insured.

In *Smith* v. *Wyckoff*, the bill was filed to enforce the payment of a note out of a farm on which the debtor, had by his will, made it a charge.

Schoolhouse v. *Post* was decided partly on the ground of a trust, and partly on the State Statute giving equity jurisdiction in matters of account.

Defendant held in his hands money left by will to support the school.

Appellee, however, may well rest on the case of *People* v. *Houghtailing*. That is confessedly the nearest case to this appellant has been able to find.

If appellee's testator had been appointed by the appellant his agent to collect and pay out appellant's money; if testator had accepted the appointment: if he had gone on and collected the money under the authority thereby conferred, no doubt would ever have been suggested as to the jurisdiction of this court.

Finally, it is said that my argument is technical. It may seem so to-day, but it was not so always. It is not long since it would have been regarded as an argument on the side of freedom and liberty. It is true, that trial by jury is not now looked upon, especially by lawyers, as the palladium of our liberties, but it has not yet lost its hold on the minds of the people. And that Congress is here with the people appears from the act already mentioned.

In reply to my argument based on the staleness of the claim, it is said by appellant that no such point was raised below, etc.

To this I cite simply the following decision of this Court., Sullivan v 94 p. 811

"To let in the defense that the claim is stale, and that the bill cannot, therefore, be supported, it is not necessary that a foundation shall be laid by any averment in the answer of defendants. If the case, as it appears at the hearing, is liable to the objection by reason of the *laches* of the complainants, the court will, upon that ground, be passive, and refuse relief. Every case is governed chiefly by its own circumstances; sometimes the analogy of the Statute of Limitations is applied; sometimes a longer period than that prescribed by the statute is re-

quired; in some cases a shorter time is sufficient; and sometimes the rule is applied where there is no statutable bar. It is competent for the court to apply the inherent principles of its own system of jurisprudence, and to decide accordingly: *Wilson* v. *Anthony*, 19 Barber (Ark.), 16; *Taylor* v. *Adams*, 14 id. 62; *Johnson* v. *Johnson*, 5 Ala. 90; *Ferson* v. *Sanger*, 2 Ware, 256; *Fisher* v. *Boody*, 1 Curtis, 219; *Cholmondly* v. *Clinton*, 2 Jac. & Walker, 141; 2 Story's Eq., Sect. 1520a.

"A Court of Equity, which is never active in giving relief against conscience and public convenience, has always refused its aid to stale demands where a party has slept upon his rights and acquiesced for a length of time. Nothing can call forth this court into activity but conscience, good faith, and reasonable diligence.

"Where these are wanting, the Court is passive, and does nothing. Laches and neglect are always discountenanced; and therefore, from the beginning of this jurisdiction, there was always a limitation to suits in this Court." *Smith* v. *Clay*, Ambler, 645.

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